



# **Analysis of the Decentralization of Environmental Management in Egypt**

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## 1. Introduction

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### Background

In recent years, the decentralization of environmental management (DEM) functions to regional, governorate, and local levels became a clearly identified policy within the Egyptian Environmental Affairs Agency (EEAA) and the Egyptian Environmental Policy Program (EEPP). For EEAA, this policy is reflected in the establishment of Regional Branch Offices (RBOs), plans to activate and upgrade the governorate-level Environmental Management Units (EMUs), and in efforts to enhance the operational capacity of both entities and establish mutual coordination mechanisms between them.

A decree that would specify the functions of the EMUs and promote them to the status of General Directorates for Environmental Affairs is currently being contemplated.

Strengthening the EMUs and increasing their ability to coordinate local governorate functions is a necessary condition for improved environmental performance, but alone this is insufficient. Governorates have always been involved in environmental management, even before a national environmental framework existed. In fact, DEM could, for a number of functions, be seen as the integration of existing functions at the local level, rather than the transfer of authority from a central authority to the governorates. In other words, DEM could help assemble and orchestrate related functions currently diffused and scattered.

Anecdotal evidence suggests that the DEM process is not steady or keeping the pace targeted and the progress achieved does not reflect the ongoing efforts and declared commitments. There are barriers and constraints that provide a kind of resilient resistance to desired change. In order to understand the root causes of these symptoms, the context in which the DEM process is taking place need to be investigated. First, decentralization could take a number of forms, including:

- ♦ **Devolution**, which is the transfer of power to autonomous or semi-autonomous local governments
- ♦ **Delegation**, which is the transfer of responsibilities for services and administration to local governments and institutions

- ♦ **Deconcentration**, which is the assigning of implementation of national programs to lower branches of government
- ♦ **Divestment**, which is the transfer of public services and institutions to private companies and firms.

A clear vision should be formulated in order that decentralization takes place in an orderly and effective fashion, taking into account the wider factors that are relevant to environmental management and the general status of local administration in Egypt.

This study was based on the following premises:

1. Although the Egyptian decentralization experience is recorded and analyzed in the public administration literature, it is not effectively deployed in the current DEM policy development process. DEM policy formulation and implementation could benefit by drawing on the lessons generated out of this experience.
2. The effectiveness of current efforts is conditioned by their capacity to overcome the barriers and capitalize on the potential of the wider administrative and political context. Compatibility of DEM with the wider administrative context, especially with systems with which it interacts, will ensure its effectiveness and the achievement of its objectives.
3. DEM could be effective in Egypt if it were well defined, applicable, and guided by a politically acceptable and shared vision. Otherwise, DEM would not only fail to improve environmental management, but could also have negative effects on development management, in particular at local levels.

## Objectives

The objective of this study was to support more effective decentralization, with maximum positive impacts on environmental management in Egypt. It also aims to point out potential negative impacts associated with ineffective decentralization.

The study provides the Government of Egypt (GOE) and EEPP policy and decision-makers with an overview and critical analysis of the current status of the DEM process. It includes information about the major barriers and constraints affecting the process as well as the opportunities from which it could potentially benefit. This information will be useful to the GOE in selecting the path of DEM implementation from within an array of alternatives. For EEPP and future donor programs, it will inform the choice of whether, how, and with whom to work on required policy reforms.

## Scope

The study addresses the general context in which DEM would operate, with a focus on the current status of local administration, as follows:

1. **The DEM Process in Relation to Local Administration.** The study addresses the barriers to and potentials for an effective DEM, and not the individual performance of specific governorates. However, it deals with the quality of and prospects for DEM within the contextual realities of the local administration system.
2. **The DEM and its Relation to the EMU.** The scope of DEM is larger than the functions of the governorate-level EMU. Because of the pivotal role that should be played by the EEAA's RBOs and the governorate-level EMUs, the central issue of decentralization has been overshadowed by focusing on their role differentiation, distribution of responsibilities, and coordination.

The DEM process transcends this limited scope. The administrative structure that governorates use to carry out their EM responsibilities is not limited to the EMU, but extends to a number of organizations relevant for EM on the local level such as representatives from ministries for housing and transportation. The analysis of decentralization will not focus on the stances of these entities on decentralization itself, but rather points at their influence on a governorate's potential to effectively undertake DEM functions. When analysis of decentralization functions for other entities is undertaken, it is meant to draw parallels and to benefit from useful lessons.

3. **The Governorate Level as the Central Coordinating Body.** Although lower levels of local administration—towns and villages—are relevant and critical to the micro-management of the environment, the distribution of responsibilities is seen as a governorate-level issue. Conditions under which the governorate operates affect the DEM process in general, and decentralization in the wider sense. A further issue is the extent to which the governorate has the authority and resources to macro-manage its environmental responsibilities through local units.

## Methodology

### Sources of Information

A team experienced in environmental management and local administration made use of the following sources in carrying out this study:

- ♦ **Literature.** A document review was undertaken to investigate environmental management practices, local administration conditions, decentralization of functions and lessons learned, and current DEM functions.

- ♦ **Interviews.** Interviews were undertaken with key informants in the different fields investigated to complement and interpret the information collected through literature.

## Analytical Framework

The analysis is based on factors that are related to the decentralization approach and the nature of environmental management functions. The analysis considers the effect that these factors have on the DEM process, and more specifically on the governorates' potential to effectively undertake their functions, including:

- ♦ **General factors related to decentralization.** Decentralization literature identified general factors that should, ideally, be fulfilled for effective decentralization to take place. Of those, the following are essential elements that constitute the analytical grid:
  - Political commitment
  - Availability of, or ability to acquire, financial resources
  - Availability of, or ability to acquire, adequate technical capabilities
  - Adequate authority to manage resources
  - Interaction with community organizations.
- ♦ **Factors related to environmental management.** There are three main complications specific to environmental management functions:
  - Number of entities involved in the functions
  - Authority of the governorates regarding these entities
  - Nature of the functions.

These factors are interrelated and their different configurations set the boundaries for the implementation of the environmental management functions. The intense involvement of other entities represents a constraint especially when coupled with an inability to manage the resources involved. The ability to manage these resources is closely related to the powers of the governorate. The nature of the function is also an important factor that affects the ability to manage resources since each function has its own requirements.

## Outputs

The study identifies major opportunities for and constraints of the DEM context. Alternative paths for taking DEM forward are investigated. The study concludes with recommendations for action necessary to implement the recommended path as well as support that could potentially be provided by a future donor-funded program.

## 2. Local Administration in Egypt

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### Characteristics

To investigate the potential relation and impact of the local administration on DEM, local administration characteristics were investigated and analyzed. The analysis, included more fully in Annex 1, addresses:

- ♦ Local administration structure and the respective roles of involved parties
- ♦ Rights and authority of the governorate in relation to ministries and other entities
- ♦ Planning procedures and project identification process
- ♦ Sources of finance, disbursement procedures, and budget allocation
- ♦ Roles and powers of local executive officials and elected representatives.

The analysis showed that the general status of local administration does not support the ability of the governorate to fully manage its resources. Local administration is characterized by a constrained and rigid context that affects the planning and financing processes as well as the implementation of functions.

Strong centripetal forces partially explain the Egyptian government's limited success in decentralization efforts to date. These well-established forces produce resistance and counteractions to decentralization policies as can be seen by the inconsistencies between declared, and partially or fragmentally implemented decentralization policies and the limitations of authority and resources provided to local administrations and agencies. Many nominally local entities technically report directly to central agencies such as the Ministries of Irrigation and Education and the agencies governing tourism and mining. This reflects deconcentration—the assigning of implementation of national programs to lower branches of government—rather than a functional devolution—the transfer of power to autonomous or semi-autonomous local governments.

The analysis produced conclusions, including:

1. **There are inconsistent trends in decentralization.** Both decentralization and centralization trends co-exist, although they are asymmetrical and inconsistent. For example, while local units are, according to law, fully autonomous to manage community affairs, executive chiefs, in fact, control popular councils, and



representative agents of central ministries at local levels do not report to the governors in most cases. While the political elite is under mild pressure to push for local governance, bureaucrats are still powerful gatekeepers.

All four types of decentralization (see page 1) co-exist and interact in the local administration scene. However, deconcentration, the least extensive type of administrative decentralization, is the form most compatible with the dominant decentralization pattern in Egypt.

2. **Planning capacity is weak at the local level.** Moreover, such planning is directed towards the issuance of the budget and not toward achieving specific objectives.

Most locally executed projects are planned by the central ministries, taking local needs and priorities into consideration, but only as perceived by the central authority. Locally suggested projects cannot be implemented without the approval of the central ministries. Local plans are constrained by complex administrative structures and fiscal regulations.

3. **Financial flexibility is limited.** The rigid budgetary system has limited financial flexibility restricting reallocation of resources at the local level between items. Egyptian financing procedures break down the budget for local units into *Babs* (parts), which are divided into *Mokawenat* (components), which in turn are divided into *Benoud* (items). Reallocation of resources between parts requires the approval of Parliament and reallocation among components requires the approval of the Minister of Planning.

At the local level, financial flexibility is limited by (1) scarcity of funds allocated by the central authorities, (2) intricate disbursement procedures of those funds, and (3) insufficient resource generation at the local level.

4. **Ability to implement plans is limited.** Central funds for local projects are disbursed through the National Investment Bank. Authority to release those funds and actual disbursements are routinely severely delayed, limiting the ability at the local level to actually carry out projects.
5. **Governor has inconsistent authority over local entities.** The governor has formal control over some entities, where he has the authority to hire, fire, direct, and authorize activities; he shares control over a number of entities with the authority to make requests and recommendations to the concerned ministry; and he has no control over other agencies that are completely subordinated administratively to central entities.

Most local organizations affiliated to central ministries are not authorized to make decisions; they only implement directives from their central agencies. This further reduces the potential for decision-making at the local level. In fact, even without complete authority over a specific department, it would still be easier for the local government to deal with if it had decision-making authority.

6. **Community involvement is limited.** The popular councils, although given the power and right to define local community needs, lack the competence to do that effectively. Community involvement is weak due to the lack of channels of communication. Moreover, the community, faced with the inability of their representatives to influence the executives, has limited interest in maintaining such channels. In fact, the concentration of power at the central level can be appreciated through the substantial number of local issues discussed in Parliament.

Recently, community participation has found a place on the government's agenda as a result of growing pressure from society that has been unmet by state resources. Such community participation is a tool to mobilize community resources for project implementation because projects for which community resources are mobilized can receive government matching funds.

## Case Studies for Decentralization

In order to clarify understanding of the status of decentralization within conditions at the level of the local administration, three cases were studied and analyzed, each addressing a different field. However, in order to draw useful parallels for DEM, relatively recent cases that involved a substantial number of agencies were selected. Detailed analyses of these are included in Annex 2.

### Case Summaries

#### National Council for Women

The National Council for Women (NCW) is an autonomous entity mandated to advance the status of Egyptian women and maximize their contribution to growth and development. The council is responsible for setting policy, planning, and monitoring all issues related to women. It has 26 branches in the governorates, over which the governors have no authority. The NCW branches have been superimposed on the local administrative system and are directly affiliated to the central office.

The NCW has a high level of political support. Its existence is based on a Presidential Decree and it is allocated a special budget. The council and its branches are responsible for the interaction, negotiation, and coordination for all women's affairs with all governmental agencies. All concerned entities and ministries are members of the council committees, and in this way coordination is guaranteed. The deconcentration of the council's organizational structure to governorates and ministries is meant to influence their operation, as related to gender equality, rather than involving them in decision-making.

## **Shrouk Program**

Shrouk is a long-term program of rural development that addresses poverty and deprivation in Egypt and upgrades the living conditions of rural communities. The program operates through local committees at the village level established on the governor's authority and comprised of local community leaders and regional experts from academic institutions and directorate offices. The committees operate autonomously and are authorized to plan, assess, and implement local projects. National coordinating committees are established from among concerned agencies to facilitate implementation.

Shrouk represents a structure parallel to the local administration, as the local committees do not operate within the existing institutional framework, yet they are sensitive to the governor's support. The program enjoys a high level of political support as shown by the allocation of a lump sum in the state's budget. These discrete funds provide flexibility to allocate and reallocate resources as needed.

Shrouk introduces a different decision making mechanism in the local context, bypassing the standard hierarchical procedures in terms of planning and fund allocation.

## **Investment Services System**

Granting an investment permit requires approval from a number of different entities. In order to facilitate procedures, investment offices were established at the governorate level. Recently, the Assembly of Investment Services was established within the General Authority for Investment (GAFI), with regional branches in the governorates. While the investment office is an integral part of the local administration, the Assembly structure includes representatives from concerned agencies and ministries, who are delegated the responsibility to make decisions without referring back to their central agency. It is planned that the two systems will be integrated.

The Assembly receives much more political support than the investment offices. The latter are affiliated with the governor and are totally decentralized since they do not report to any central authority. The new system will affiliate the local branches with a single central entity, the GAFI. The governor may retain some influence over the new entity, but at a much lower level, as power is re-concentrated at the center. The role of the Assembly and its branches facilitates investment procedures based on central policy and plans set by the GAFI.

## **Analysis and Lessons Learned**

The NCW represents a typical approach to the introduction of a new factor in decision-making. It adopts de-concentration—the assigning of implementation of national programs to lower branches of government—the least extensive type of administrative decentralization, but the one most compatible with the dominant decentralization pattern

in Egypt. It is compatible with the local administration as much as it needs to influence it.

For Shrouk, where devolution—the transfer of power to autonomous or semi-autonomous local governments—is adopted, a parallel structure was needed for making decisions, ensuring a high level of community involvement, and different budgeting procedures were devised. The weak planning capacity at the local level was addressed through centrally mobilized support. Shrouk's parallel structure weakens both the central and the governorate's control over decisions made at the local level. However, both keep a high level of control over the process as well as the composition of the local decision-making committees.

The devolution approach used with the Investment Services System is consistent with local administration structure and practices. However, the new Assembly of Investment Services is a deconcentrated way to implement centrally-agreed policies, with Assembly offices reporting on implementation. In both cases, locally implemented activities are directed from the center and community involvement is minimal.

Given the inconsistencies inherent in the current development of the local administration system, it is likely that more cases could enrich the analysis in terms of ways and means adopted to deal with these inconsistencies. However, based on the analysis of the three cases, there are valuable lessons to be drawn:

1. Political support is an important condition, but not the only one necessary, to ensure the success and continuity of an activity. The major advantage of political support is the flexibility that comes with it to address relevant issues. This is reflected in both the process of budget allocation and of securing commitment from agencies involved for necessary coordination and cooperation mechanisms.
2. It is important to formalize coordination with other agencies to ensure their commitment. For the NCW, the commitment for coordination is not left to the discretion of other agencies, but is imposed by an article in the NCW Presidential Decree. For the Assembly of Investment Services, the whole structure is devised to ensure proper coordination. Both the Shrouk local and central parties have an incentive to agree and coordinate because of the availability of funds needed for project implementation.
3. Financial allocation from the state budget or from local funds is an essential condition for the proper operation of decentralization initiatives.
4. There is a common perception that it is more effective to create additional structures, interfacing with the local administration, but not an integral part of it.
5. Social pressure can be channeled to promote changes in the operations of local administrations. The investment offices/committees channeled the pressure of the business community to reinforce the governor's powers. However, because of weak decision-making capacity at the local level, this pressure should be channeled through the central authority. (It is remarkable, however, that this pressure is seldom used at the local administration's initiative.)

6. Although both the NCW and investment offices have a high interaction with the community, this interaction is limited to providing inputs to the community instead of creating a partnership with the local community as Shrouk does. Although precedents for involving the community in decision-making are accumulating, it is clear that this is limited to times when the community is a direct beneficiary and not merely a concerned party.

### **3. Decentralized Environmental Management in Egypt**

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#### **The National Context**

The Egyptian Environmental Affairs Agency (EEAA) is responsible for formulating the national environmental management policy framework, developing required action plans to protect the environment, and following up their execution in coordination with competent administrative authorities. The “Environmental Law” (Law 4/1994) identified three main roles for EEAA: (1) it is to regulate and (2) coordinate most activities, and to (3) manage natural protectorates and pilot environmental projects.

Sectoral policies in which environmental management policies should be integrated are formulated and implemented by a number of national-level institutions such as the Ministries of Petroleum, Agriculture, Health and Population, Interior, Water Resources and Irrigation, Industry, Transport, Electricity, and Energy, and the 26 governorates. EEAA has the legal mandate to coordinate among all these authorities with respect to environmental management.

Local authorities in the governorates had been involved in environmental management long before a national environmental policy was adopted. With passage of the Environmental Law, it became a more important item on the central government’s agenda.

Governorate-level involvement is clear from their primary mandates to protect public health and safety. The local role in environmental management has been guided by a number of laws and regulations. DEM could, for a number of functions, be seen as the integration of existing functions at the local level, rather than as the transfer of authority from the center to governorates. In almost every environmental management activity undertaken by different entities, the local level is involved. Depending on the extent to which the central authority has decentralized activity to the governorates and the type of activity, this involvement differs. The responsibility for environmental management at the governorate level has been carried out by many organizations acting locally, including those within the local administration proper, and those representing central entities at the local level.

A number of EEAA mandates related to environmental management functions have achieved reasonable performance and progress. These are mostly the functions that are solely implemented by EEAA. However, for functions involving other entities, the horizontal and vertical dispersion of responsibilities and functions has made coordination a challenging task influencing their performance. This is clear in the inability of EEAA to fully accomplish a number of its mandates in which a large number of entities are involved. Those with difficulties include:

- ♦ Preparation of the national plan for the protection of the environment
- ♦ Preparation of environmental contingency plans
- ♦ Preparation of the draft budgets required for the protection of the environment
- ♦ Preparation of a national integrated coastal zone management plan for the Mediterranean
- ♦ Handling of hazardous waste and substances.

These functions have been initiated, but are faced with coordination and communication problems affecting their progress. The large number of entities involved coupled with the low political leverage EEAA has, or has made use of, has hindered their implementation. The National Environmental Action Plan (NEAP) is the only one where a final output was produced but even this was not finalized by the Cabinet and was the result of consultation with experts knowledgeable about those entities' interests and constraints.

This weak coordination performance is especially critical for an activity like the incorporation of the environmental dimension in the governorates' investment planning. This function is probably the most important preventive action that needs to be taken to minimize environmental problems through the mainstreaming of environmental concerns early in the planning and design phases of projects, programs, and policies. It should be noted that this function exists on the national level only for project-level investments, in the form of Environmental Impact Assessment (EIA) requirements. However, these requirements are not implemented equally, especially in the cases of State investments in roads, industrial zones, and infrastructure projects, for example. Although this is slowly changing—for instance, the Ministry of Water Resources and Irrigation issued EIA guidelines in 2001—State organizations are not yet routinely complying with EIA requirements. Furthermore, there is no institutional precedent on a national level concerning the environmental assessment of programs and policies.

## Case Studies for DEM

To draw conclusions applicable to the general DEM scheme, three examples of environmental management functions were researched and analyzed. The cases include water and wastewater systems, solid waste management systems, and the more general issue of governorate-level Environmental Management Units (EMUs). The EMUs are not the only entities active in environmental management at the governorate level, but

their importance arises from the fact that they are meant to be environmental focal points. These three case studies are summarized below and more fully explored in Annex 3.

## Case Summaries

### Water and Wastewater Sector

The water and wastewater (W/WW) sector is mandated to operate water supply and wastewater treatment networks. The system encompasses the Ministry of Housing and local entities that are responsible for the system.

The affiliation of the operating entities is not the same in all the governorates. The sector is characterized by multiple affiliations with minimal coordination and inadequate communication. Where the Housing Directorates (affiliated to the Ministry of Housing) are in charge, the system is compatible with the local administrative context. In other governorates, the responsible entities are legal utilities that are not within the direct control of the governorate. The operating entities involved in the sector suffer from severe over-staffing as well as a lack of qualified and experienced administrative, managerial, and technical staff.

The sector is overly centralized in its management, planning, and financial aspects. Operating agencies are only responsible for operation and maintenance activities. Financially, all agencies are integrated within the national budget process for funding and individual operating companies are not able to—or expected to—generate revenues to cover their basic operating costs.

There is no clear strategy for sector development based on objective needs and priorities. The priorities are mainly based on political factors and the objectives of donor-funded programs and projects.

### Solid Waste Management System in Alexandria

Privatization of solid waste management (SWM) systems at the governorate level is a policy that is currently being adopted in a number of governorates including Alexandria, Cairo, Giza, Suez, and Aswan. Alexandria was the first governorate where such a policy has been implemented. The contract for managing and operating the solid waste management system was awarded to a private contractor and a monitoring unit established in the governorate to follow up system activities. The follow-up unit is directly affiliated to the Secretary General and is not integrated in the existing governmental organizational structure.

Beneficiaries—households and commercial properties—bear the expense, which is collected with the electricity bills by means of a contract between the governorate and the electricity company. The financial mechanism for the system does not follow that of the



local administration. The user charges collected through the electricity company are forwarded directly to the governorate, avoiding the lengthy procedures for disbursement from the central to the local level. The system introduced contractual agreements between agencies as a new tool in the local administrative system.

This case is substantially one of privatization, redefining roles and responsibilities. However, it is interesting because decentralization is now perceived as fully intertwined with the issues of role identification and assignment, and of coordination.

The SWM system adopts large-scale divestment, a new concept to the Egyptian context where the role of the governorate is changed from a system operator to a supervisor.

## **Governorate Environmental Management Units**

EMUs are responsible for the protection of the environment within governorate boundaries and for all activities needed to achieve that objective. They are mandated to undertake both environmental planning and operation-oriented activities. Planning functions may include:

- ♦ Preparing, coordinating, and implementing Governorate Environmental Action Plans and participating in the NEAP
- ♦ Preparing, coordinating, and implementing environmental contingency plans
- ♦ Developing environmental profiles
- ♦ Incorporating the environmental dimension in development plans.

Operational functions may include:

- ♦ Building cooperation with non-governmental organizations (NGOs)
- ♦ Carrying out environmental education and increasing environmental awareness
- ♦ Overseeing environmental impact assessments
- ♦ Helping RBOs prepare demonstration projects
- ♦ Assisting RBOs in environmental training activities
- ♦ Supervising solid waste contracts
- ♦ Developing environmental projects
- ♦ Carrying out inspections, investigating complaints, and enforcing laws and regulations
  
- ♦ Managing activities concerning hazardous wastes.

Within the governorate, the EMU mandates represent an opportunity for greater efficiency and effectiveness in the implementation of environmental management functions. Especially in terms of planning functions, the proposed EMU decree for organizational upgrading provides an organizational anchor for integrating environmental initiatives. It also introduces a new aspect into the interaction between the government and the community by mandating that the EMUs cooperate with NGOs.

However, a clear and consistent vision and subsequent planning is lacking. The EMU is part of the governorate's administrative structure and can only perform within the latter's area of responsibility and authority. Moreover, the EMU is not yet ready to assimilate all related functions due to the shortcomings associated with its own resources.

EMUs are faced with the problems related to the general context of local administration, which do not support its ability to address cross-cutting environmental management functions. The relationship between an EMU and other local environment management-related entities is conditioned by the type of control a governor has over these entities.

EEAA has invested in building EMU capacity, but their current modest technical and financial capabilities are taken as static conditions. EMUs are only allocated functions that are compatible with their current capabilities.

Moreover, in a typical centripetal move, the proposed EMU decree practically transforms these entities into a local agent for EEAA, only administratively affiliated to the governorate. The earlier devolution approach implied by the lack of reference to the EMUs in Law 4/1994 would have confirmed the governorate's responsibility. Inconsistency—the co-existence of two or more different approaches, as in the wastewater sector case—confuses responsibilities and hinders the delegation of responsibilities to local level while keeping authority, especially in terms of resource allocation, at the center.

## Analysis and Lessons Learned

The existing legal and institutional framework makes EEAA the agency responsible for environmental policy development and coordination among agencies. However, many of the concerned agencies are politically strong central ministries that have deeply entrenched traditions of power concentration. The leverage EEAA has been able to bring to bear has not brought about the desired level of coordination and joint action. This is clear at the governorate level, where nascent relationships are severely strained by the pull of strong vertical centralization and limited efficiency in horizontal interaction and coordination. It is clear that most of the environmental functions included in the EMU decree should be undertaken in coordination with entities outside the direct control of the governor. Such coordination is especially critical for planning functions that need integrated consensual decisions.

Although it is not imperative that successful environmental management proceed at the national level, such progress would confirm the political commitment to environmental protection and therefore facilitate local practice. In the last few years, the President has expressed this political commitment on a number of occasions in which he declared that protection of the environment is an important priority for the State. However, this commitment has yet to be reflected operationally in issues such as funding or committing other agencies to cooperate with EEAA (as is the case for the NCW).

The studied cases confirm a number of earlier conclusions, some of which are obvious and need not be repeated here including, for example, that financial resources are essential conditions for proper decentralized operations. Other lessons learned could be summarized as:

1. **Vision.** The development of a clear vision (and subsequently objectives, distribution of responsibilities, and mode of operation) is a pre-requisite for successful decentralization and improved performance.
2. **Coordination.** Developments in fields that fall under environmental management take place independently and in isolation. This point is closely related, and could be the result of, the lack of a consistent vision whether on the technical side (such as envisioned level of services and protection) or on the institutional side (such as the authorities and responsibilities of different parties on the local and central levels). Developments are reactive, rather than proactive, driven by available opportunities or perceived pressures rather than by pre-meditated strategies.
3. **Comprehensive approaches.** Incremental approaches might be locally optimized, but are not likely to sustain their drive and direction. Resolution of the solid waste problem in Alexandria was not possible through an incremental approach. The incremental changes in the water/wastewater sector are consistently counteracted by strong centripetal forces. Note, however, that the presence of multiple players in a complex structure means that a higher level of inertia will develop and making modifications becomes more difficult. The government is addressing this difficulty as it considers the establishment of holding companies to manage new cities. Is this the first step in the direction of privatizing urban services?
4. **Innovation based on radical reforms.** There is plenty of potential for innovation that could be implemented within the current contextual constraints. Such an “innovative” approach is only possible where there is high political commitment, which drives agencies to interact and innovate. This potential for innovation is not evolutionary, but takes the form of “leaps” outside the current system. There are definite limits, however, to the extent to which the environmental agenda can be managed from outside the local administration system. Environmental management should be an integral part of daily operations to be able to infuse sustainable change in the practice of the local administration.
5. **Partnership with civil society.** Cooperation with NGOs in environmental functions could provide an element of innovation. This cooperation with civil society is consistent with EEAA’s experience. In the early 1990’s, EEAA perceived NGOs as its natural allies. For example, NGOs were supportive during the period in which the Environmental Law was under discussion, and they work jointly in politically sensitive issues concerning natural protection, especially hunting. The first democratic election of the environmental NGO committee was

incubated by EEAA. However, this cooperation with NGOs has lately moved to safer areas of supporting small environmental improvement projects.

6. **Social pressure.** The cases studied confirm that government reacts to social pressure as related to environmental conditions much as it does for other issues. The Alexandria SWM case may be an example where social pressure became the trigger for commitment in the center, giving a kind of “permission” or flexibility in adopting as innovative approach at the local level. Although there is no precedent where the local administration has purposefully used such social pressure to improve its maneuvering potential, social dissatisfaction with environmental conditions did provide a strong justification to Alexandria’s governor to reconsider the solid waste system there.



## 4. Conclusions and Recommendations

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This report investigated both the context of local administration and the characteristics of environmental management. It found that environmental management at the local level is subject to the compounded effects of the obstacles faced by the local administration, the complex nature of environmental management, and the lack of assimilation of environmental issues at the national level. Environmental conditions suffer as a result, and there is a need for substantial modifications to improve the situation and address the barriers and obstacles facing an effective DEM. However, a consistent vision as related to the responsibilities of different parties on the local and central level is lacking, and *ad hoc* interventions in the different fields of environmental management and protection are less effective than desired.

There is a current focus on improving executive operational functions at the local level, which are faced by real technical and financial constraints.

An effective environmental management system at the local level should include both operational and planning functions. Planning functions may take a lower priority and be faced with more constraints including weak planning capacity at the local level, limited financial flexibility, and inconsistent decentralization trends.

Improved functions should lead to the enhancement of the local environment through:

- ♦ Higher investments from the regulated community subjected to more targeted enforcement
- ♦ Private investments in infrastructure through the privatization of functions traditionally borne by the governorate
- ♦ Pollution prevention through forward-looking planning
- ♦ Greater efficiency in using available resources
- ♦ Strongly justified requests to the central budget.

In the following, different paths for undertaking those functions at the local level are set forth.

## Alternative Paths

Ideally, for local environmental management to work, three conditions need to be fulfilled:

- ♦ A large number of functions and activities need to be decentralized and local authority to manage the local agenda confirmed
- ♦ Effective mechanisms need to be established for funding local activities, and for coordinating local decision making about environmental policy
- ♦ Coordination needs to be instituted among concerned parties at the national level to respond to locally identified needs.

There are different ways to fulfill these conditions. The most effective of these will be the one that creates a demand for change, which will make fulfilling the other conditions easier.

### Radical Reform

The first path is to start by undertaking major modifications in the local administration system and draw it towards more devolution. In this case, a high level intervention would be needed involving at least at the Prime Ministerial level, which is responsible for the local administration system, and potentially at the level of regulations, thus involving the President and the Parliament.

It is, however, not practical to recommend a reconsideration of the Egyptian governance system only to facilitate the environmental planning functions at the governorate level. Moreover, such interventions are not expected to yield quick results in the short term, and given its long tradition and intricate mechanisms, a quick change in the dominant centralized mode of operation should not be expected, or sought. The repercussions of such massive changes could quite likely be chaotic. In fact, adoption of such devolution would be difficult without the presence of a strong coordinating entity at the local level responsible for the coordination and integration of environmental management functions.

### Central Coordination

The second path is to start with a focus on the central level where coordination among entities that plan environmental functions would be improved. The agreements would be expected to trickle down to the local level, where that level is only the implementer of central policies and plans. This is what EEAA is to do by law. This path is compatible with the technical affiliation of the EMUs to EEAA, suggested by the EMU draft decree prepared by EEAA.

However, the record in this respect during the last decade is expressive of the difficulty of this starting point. EEAA has signed cooperation protocols with a number of central

agencies that have stagnated at the abstract level of willing cooperation. There are no clear examples of cooperation in implementation of specific environmental management issues. The lack of local involvement makes it difficult to indicate the issues on which ministries would agree. Apart from the difficulty of interaction among a large number of central entities, planning at the central level will not allow for the incorporation of local needs as perceived by local entities, the nearest to the field, thus affecting the chance that initiatives requiring cooperation will be implemented. Moreover, a central body will have the natural tendency to standardize its interactions with its technical affiliates and therefore homogenize its mode of operation, which would not allow for innovation and influence in the practices of local governance.

## **Increase Local Capacity**

The third—and recommended—option is a DEM path that takes the status of local administration and the current priority and performance of environmental management at the central level as givens. The central ministries and agencies in Cairo are the undisputed center of political and administrative power; environmental management has some standing, but not the backing of funding or real political clout.

This third path focuses on the local level, which is closest to the problems in the field and to the community affected by these problems, but where critical obstacles and constraints face potential decision-makers. A change in the dominant mode of operation is not expected to evolve by itself from the current situation, but it is possible to put mechanisms in place within the current context whose cumulative effects would increase the potential for change.

A primary focus on increasing the capacity at the local level to formulate its demands and requirements for a more effective environmental management system at the local level would create the drive for change at the central level. That would require a strong locally coordinated mechanism around which the DEM drive could be organized to integrate local environmental functions and achieve practical improvements in environmental conditions as well as to maximize local inputs in national environmental decision-making.

In order to realize this change, it is recommended to:

- ♦ Use the EMUs as the local anchors for the DEM process
- ♦ Involve the EMUs in planning activities
- ♦ Establish a higher-level committee at the local level to form an environmental management system with the EMUs.

This path includes two important elements of change. First, undertake joint environmental planning activities at the local level through the involvement of all concerned parties, and second, involve the community as an organ of social pressure that would lead to greater practical political commitment.



The effective use of these elements would apply pressure on EEAA to upgrade its performance at the central level and, eventually, on the distribution of decision-making authority between the central and the local level of the agencies involved in environmental management.

### **Use the EMU as the Local Anchor for the DEM Process**

The EMU is well positioned at the governorate level. It is close to the governor, who is the most likely core driver of change at the local level. Now, however, the EMU's resources, mode of operation, and channels of communications with concerned parties, including the governor, do not allow it to effectively play the strategic role required. However, since the EMU mandate is to "protect the environment within the governorate," it would be counter-productive to consider an alternative focal point. The EMU should be the local anchor for the DEM process, building consensus among local agencies for integrated local environmental management plans and policies.

### **Involve the EMU in the Planning Functions**

It is recommended that the EMU engage in planning functions from the onset since a serious commitment to DEM cannot materialize with an exclusive focus on operational functions. A phased approach of implementation through starting with operational functions is likely to displace the stated objective of *Decentralizing Environmental Management* to the, still worthy but qualitatively different, objective of adequate implementation of operational functions undertaken by the EMU. This will, in fact, become a process of deconcentration in some cases or integration of existing executive functions at the local level in others, rather than the transfer of decision-making authority from the center to the governorates. Moreover, the process of complete activation of operational functions is likely to take substantial time. It is expected, because of its consistency with local administration practices, that the "temporary" delay of the opportunity to influence other environmental functions implemented by other parties, both local and central, will tend to be permanent.

### **Establish a Local Higher Level Committee to Complement the EMU**

In the current context, in which the sources of formal authority seem to be exhausted, the EMU is unlikely to assume its coordinating role unless it harnesses other sources of power. Accordingly, it is recommended to establish a local environmental planning committee headed by the governor, and in which local stakeholders including (but not limited to) representatives of local branches of central ministries and agencies. This committee should provide the forum for local decision-making concerning planning functions, which the EMU cannot, and should not, undertake independently. This committee forms, with the EMU, the core of the local environmental management system.

The involvement of civil society in such a forum should represent an opportunity to organize social dissatisfaction and channel it to the local decision makers. The Shrouk committees provide a good precedent for this, although at a different scale. Note that the Shrouk committees have the advantage of dedicated funds that provide an incentive for reaching agreements, and the issues they address are closer to directly benefiting members of the committees. The inclusion of civil society provides a vehicle for the local administration to support its demands to the central government, through the Governors' Council headed by the Prime Minister.

Experience has shown that merely the involvement of civil society in a committee does not necessarily lead to this process. For example, civil society is well represented on the EEAA board—a remarkable innovation, but one that did not bring concerns to policymakers. The work procedures of the proposed committee, as well as the composition of its membership, should be designed to reflect the desired outputs.

Committees for the Environment were established approximately five years ago in the four governorates that are included in EEAA's Cairo RBO (Cairo, Giza, Qualubeya, and Fayoum) by governors' decrees. Moreover, similar committees were established in Sohag and Dakahlia where the EEAA-based Support for Environmental Assessment and Management (SEAM) project is active. The committees bring together the heads of governorate directorates and convene at the governor's invitation. The EMU is the committee's secretariat and prepares agendas and follows up on agreements recorded in the meeting minutes.

These committees have not been completely successful as their performance depends on the governor's inclination as well as the level of commitment on the part of the EMU head. In fact, they have been a forum for discussion of environmental issues, mostly of the operational type.

There are lessons to be learned from these experiences and the SEAM project is reviewing the issue to prepare for a second generation of committees with clear and effective functions capable of being implemented.

However, a properly constituted committee could provide the mechanism needed to resolve conflicts of interest and distorted distributions of costs and benefits and streamline multiple objectives and contradictory incentives typical of environmental problems. Its outputs would include:

- ♦ Recommendations to local parties concerning required functions
- ♦ Recommendations to central agencies for cases that need to be addressed on that level either through coordination and decision making or through delegation (or deconcentration or devolution as the case may be) to the local level.

It is through these recommendations that the primary focus on the local environmental management system should help fulfill all conditions required for effectiveness.

## **Reconsider EMU Technical Affiliation to EEAA**

The technical affiliation of the EMU to EEAA currently proposed in the draft decree reflects a practical primary focus on operational functions. It does, however, dilute the responsibility of the governorate concerning local environmental conditions without which local decision making and planning is deprived of a critical condition.

Having the EMUs as the local anchor could be unnecessarily constrained by the proposed technical affiliation to EEAA and it is recommended that the EMU technical affiliation to EEAA be reconsidered. The deconcentration approach implied by such a technical affiliation is perhaps too consistent with the current dominant practices and would therefore have a much lower potential for innovation and influence on the practices of local governance.

In cooperation with the DANIDA-funded Environmental Support Program (ESP), EEAA has formed a DEM task force to formulate a strategy through a participatory approach of involving external stakeholders from other line ministries. The DEM task force is an opportunity to revisit this issue. For EEAA, this is a strategic opportunity in which a number of critical decisions affecting the DEM path in the next years will be taken.

## **Aim for Large-scale Implementation**

The system as proposed should be implemented in all governorates although it is understandable that the systems might not survive in a number of them. Adoption in all governorates would ensure the diversity needed for an effective search for the optimal distribution of responsibility and system operation mechanisms on a large scale. The implementation would provide the needed patterns necessary to build pressure on the center and create the demand for change and formulation of policies.

# **Recommended Support to the Environmental Management System at the Governorate Level**

## **Support to the Committee**

The following needs should be satisfied to ensure effective operation of the environmental management system at the local level:

- ♦ A more detailed design for the participatory committee (membership and working procedures for example) should be developed, avoiding bureaucratic traps. The design should not only address smooth functioning to produce local policies and

plans but also its higher order functions to influence the central level for an incremental DEM.

- ♦ Capacity building should be addressed for stakeholders, especially the EMU and local civil society where behavioral change is critical for the success of this approach.

## Support to the EMU

For this process to succeed it is critical that there be early improvements that can be seen by the concerned parties, especially the local community. In addition to directly contributing to the improvement of environmental conditions, operational functions play an important supporting role to planning functions in this respect. A number of operational functions have low technical and financial requirements and could be implemented with minimal delay. Others require technical and financial support through coordinated interventions of the governorates, and EEAA, which would include:

- ♦ **Addressing technical constraints to operational functions**

- Expedite operationalization and delegation to the RBOs
- Strengthen coordination between EEAA/RBOs and EMUs
- Establish quality control systems
- Develop guidelines and procedures for routine activities
- Provide technical support and capacity building activities to the EMUs.

- ♦ **Addressing financial constraints to operational functions**

Under ideal conditions, the financial constraints required for success could primarily be addressed through adequate operation of the local environmental management system. In the real world, however, the system would need to be primed through support from the Environmental Protection Fund (EPF):

- Delays in receiving funds from the National Investment Bank could be addressed through the establishment of a permanent loan facility from the EPF
- EPF could provide grants for procurement of equipment using a percentage of funds collected in payment of fines
- A sub-account could be established in the local development fund to receive and disburse funds related to environmental activities. Such an account has already been established in Dakahlia Governorate.



## **Annex 1 Local Administration in Egypt**

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### **1. Background on the Local Administration Setting**

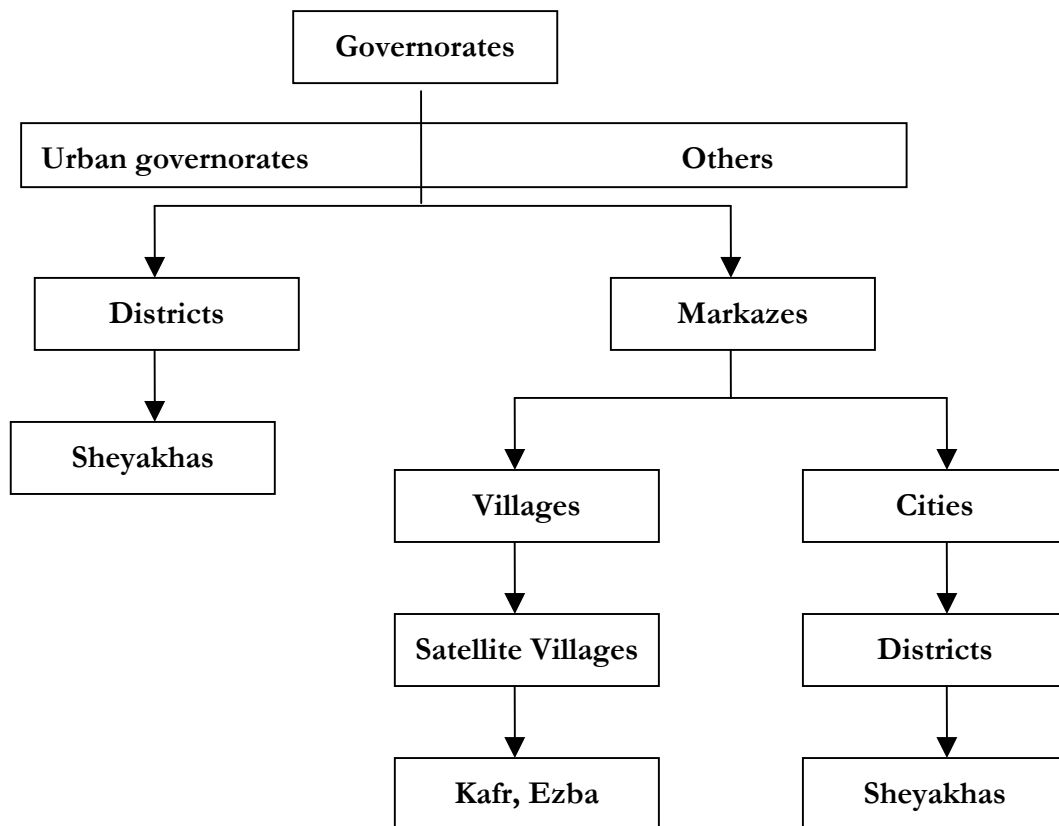
#### **1.1.1 Structure of Local Administration**

The local administration system is governed by the Local Administration Law No. 43/1979, which was later amended by Law 145/1988. The local system in Egypt witnessed significant developments in terms of structure of local units, their autonomy and interface with the center. In the 1920's, municipalities emerged (e.g. Cairo, Alexandria) as sectoral units designed to help operate public facilities more efficiently. The system expanded and more urbanization resulted in new municipalities. The birth of decentralization was in the 1923 constitution, which recognized the local units as autonomous entities and identified a three-tier system of Directorates (Mudireyat, now Governorates), Cities and Villages.

The constitution of 1971 recognized local autonomy and identified a minimum of three tiers, namely Governorates, Cities and Villages. The subsequent Law 52/1975 added two levels: Markazes and Districts. It also created a bi-cameral system in local units; elected Popular Councils and appointed Executive Commissions (now Councils), which was considered as a leap towards administrative decentralization. Later, Law 145/1988 minimized the local governance aspect in the system and deprived popular councils of the power to hold local executives accountable, thus re-assuring centralization trends.

Each local unit is governed by the collaboration of an elected local popular council and a local executive council whose head is appointed. The main function of both is to implement public policies at the local level. Article 2 of Law 43 of 1979 highlighted the major function of local units, through the collaboration of executives and representatives, to establish and operate all public facilities in their geographic jurisdiction in consonance with national policies, and to, therefore, carry out the mandates of ministries in their communities.

Egypt is divided into 26 Governorates, a few are fully urban Governorates (Cairo, Suez and Port Said) and are divided into Cities, that Cities include Districts. The remaining 23 Governorates include a mixture of urban & rural communities<sup>1</sup>, and are therefore divided



into Markazes<sup>2</sup>, each including a city as Markaz capital, but some Markazes may include more than one city as well as a group of Local Village Units as shown in figure (2.1).

**Figure 2.1: Administrative chart of the 5-tier local system**

Cities may be recognized with a special status enacted by a special law like the City of Luxor. Also, *outside* this system are geographic areas of special status that do not conform to Law43/1979, most of which are New Communities, governed by other laws and subordinated to the Minister of Housing, Utilities, and New Communities. Moreover, there are regional units with no legal autonomy (Economic Regions). These are technically oriented units to coordinate planning among a group of Governorates, and affiliated to the Minister of Planning, e.g. Greater Cairo Region, combining the three Governorates of Cairo, Giza, and Qalyubia.

<sup>1</sup> Until 1991, Alexandria was administratively a fully urban Governorate, then a presidential decree annexed some rural areas to it from Matrouh Governorate, i.e. Borg el Arab district and city and its satellite villages

<sup>2</sup> Before 1975, the Markaz was essentially an area division for functionally proper management of state activities (e.g. security purposes and registration for military service).

Districts (in Cities) and Villages (in Markazes) are the smallest units in the local administration system and are divided into smaller neighborhoods (Sheyakha in Districts and Hessa, e.g. Kafr, Ezba, Nagei, etc. in Villages). Those neighborhoods serve as smaller area divisions adequate for efficient service delivery, e.g. vaccination campaigns, policing, etc., yet they have no legal autonomy.

All units of the five tiers are headed by centrally-appointed heads assisted by a general secretariat, which is headed by a Secretary General and including administrative staff<sup>3</sup>.

Local chief executives are all appointed, as follows:

- The President nominates Governors;
- The Prime Minister nominates heads of Markazes, Cities and Districts;
- The respective Governors nominate heads of Villages;
- The Omdas<sup>4</sup> (or village mayors) are appointed by the Ministry of Interior.

At each of the 5 tiers, there is an elected popular Council for community representation and participation in local affairs. Executive councils play two roles: representing the central government and implementing popular council recommendations, in accordance with the national policies.

At the Governorate's level, popular councils enjoy a relatively higher power vis-à-vis Executive councils and they can control lower level councils (at Markaz, District and Village levels). The popular council provides the governor's decisions with legitimacy, and political support and thus a number of governors would therefore involve the Council in making decisions without being obligated to, as in cases of large public construction contracts.

### 1.1.2 Relations between the Governorate and the Other Ministries

The relationship between the center and local units is complicated and in many respects contradictory. While the state's declared policy is decentralization and enhancing 'local governance', the actual regulations and interactions are geared towards deconcentration of administrative functions. This type of complexity is reproduced in the relationships between Governorates and central ministries.

Despite the fact that Governors represent the Executive authority<sup>5</sup> within their geographic borders, they do not have enough, or integrated, authority over public

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<sup>3</sup> All are public employees; but subordinate to different authorities, as will be shown later on.

<sup>4</sup> In every satellite or sub-village, where there is no police station, there should be a *Omda* (the village mayor) who is mainly responsible for keeping security and resolving social and land conflicts, irrigation matters and the like.

<sup>5</sup> In the 1970's the governors were said to represent the President; then this was found constitutionally and politically incorrect since the power of the President cannot be delegated.



employees in their Governorates. The forms of relationship between the Governor and central ministries, in terms of the kind of power he can exercise over their staff, can be classified into three basic categories:

- Personnel working at ‘sovereign’ ministries or institutions over whom the Governor has almost no authority, and who are subordinate administratively, technically, and financially to central authorities, e.g. personnel working at the judiciary, the Armed Forces, and the Police;
- Civil servants working at ministries or central/national authorities that have not transferred their mandates to Governorates and over whom the Governor enjoys only indirect influence to, for example, request from their minister to sanction, promote, or change, e.g. Electricity, Petroleum, and National Organization for Potable Water and Sanitary Drainage (NOPWASD).
- Civil servants of ministries that transferred their mandate to Governorates, over whom the Governor enjoys an administrative competence of a minister, to, for example, hire and fire, direct and sanction, e.g. ministries of Youth, Education, Social Affairs. However, this does not extend to the technical issues.

Table (2.1) illustrates the governor’s authority regarding different entities.

**Table 2.1: Governor’s Authority Regarding the Different Entities**

Entity	Department in the Governorate	Governor’s Authority		
		Same as Minister’s Administrative Authority	Indirect Influence	No Authority
Manpower	Directorate of Occupational Health and Safety	•		
Health	Health Directorate	•		
Agriculture	Directorate of Agriculture	•		
Tourism	Tourism Office	•		
Social Affairs	Social Affairs Directorate	•		
Youth	Directorate of Youth	•		
Education	Directorate of Education	•		
Transportation	Directorate of roads	•		

Entity	Department in the Governorate	Governor's Authority		
		Same as Minister's Administrative Authority	Indirect Influence	No Authority
Housing	Directorate of Housing	•		
	General Organizations for Water and Sanitary Drainage		•	
Irrigation	Directorate of Irrigation		•	
Industry	Branches		•	
Petroleum	Branches		•	
Electricity	Branches		•	
Information	Branches		•	
Interior	Police forces			•
Planning				•
Finance				•

Accordingly, if the Governor wants, for instance, to contract a construction company, he should follow financial regulations of the Ministry of Finance, implemented by the Under-Secretary of Finance in his Governorate, who, in turn, adheres to standard decisions issued by his minister. Lack of cooperation from the latter's side can only be remedied by a complaint from the Governor to the Minister of Finance.

Excessive overlap of the chains of command makes it hard to precisely identify decentralization aspects. For example, water and sanitation works are controlled by various agencies. In half of the governorates (e.g. Cairo, Alexandria, Aswan, Fayoum) there are 'economic companies' with financial and administrative autonomy vis-à-vis governors but receiving funds from central government to cover wages and maintenance while receiving loans from Ministry of Planning to expand. In other governorates, total control with the National Organization for Potable Water and Sanitary Drainage (NOPWASD) and it reports to the Minister of Housing and Public Utilities. If NOPWASD hands over a large project to a governorate, the latter becomes responsible for administrative staff while technical staff might remain affiliated to NOPWASD. In a third case, the Directorate of Housing at each governorate is responsible for medium-size projects. In a fourth case, at the level of villages and smaller districts, departments of

water and sanitation are in charge and are financially and administratively subordinate to the respective local unit.

### 1.1.3 Competences of Governorates

A major feature of the legal framework of local management is that it has considerable contradiction. Local heads, in particular, Governors, play a double role of agents of centralization and decentralization at the same time. The law considers the Governors fully authorized executive representatives. On the other hand, other decrees of the Cabinet and the Prime Minister withdraw many of their mandates (e.g. getting bank loans, and opening special accounts, determining employment policy of the governorate, etc.) and some minimize the autonomy of Governors in areas of, for example, procurement and contracting, through setting rigid procedures and imposing the approval of the Ministry of Finance.

In the mid-1990s, a number of recommendations were made to empower the governors. The Presidential decree of July 10, 1997 was issued to endow the governors with the following competence:

- Responsibility for public policy implementation, achieving projects of the development plan, protecting State's domain and assets.
- Preserving ethics, moralities, and social traditions, assisted by Security Directorate
- Competence of a minister while taking decisions of public utilities branches working in the Governorate.
- Competence of a minister, both financially and administratively, vis-à-vis civil servants in the Governorate's agencies (e.g. General Secretariat).
- Competence of ministers of finance, tourism, and industry with regard to private investment projects in his Governorate.
- Full authority to regulate and supervise local elections, and call popular councils to convene and recess.

Nonetheless, local units fall under a complex control grid, both from the center and as a result of the complicated dynamics of the local system.

- ***Central Control***

Governors are appointed by a presidential decree; the parliament issues local administration laws, and its members can attend and discuss any matter in local popular councils. Moreover, the Cabinet issues and regulates service charges and has the right to dissolve local popular councils. The Prime Minister issues the executive regulations of the local administration laws, approves Governorates' bank loans, and substitutes any local unit if its performance is considered unsatisfactory. The Minister responsible for Local Administration<sup>6</sup> monitors the performance

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<sup>6</sup> Now officially called Minister of Local Development (MOLD)

of local units and submits a yearly report to the parliament, resolves conflicts among local popular and executive councils, and redistributes the money of the Joint Revenue Fund (see section 2.1.5a)

- ***Internal Control***

The internal control is reflected in the administrative hierarchy of the local system; higher executive and popular levels control the activities of the lower ones (e.g. approving the decisions, investigating officials, monitoring performance). There is a system of checks and balances between executive and popular councils, as the latter monitor the activities of the local executives through demanding explanations and raising questions; and the chief executives can veto or ignore popular councils' recommendations, claiming them to be irrelevant, or being outside the jurisdiction of the local unit.

### 1.1.4 Planning Procedures at the Local Level

There are three basic requirements for effective local planning; the planning information system, the capability of drafting budget proposals and directing resources, and the ability to select development projects and activities.

- a. ***Planning Information System***

The information needed for planning activities is mainly collected and assessed locally by the respective departments. The most important department in this respect is "the Planning and Monitoring Department". The information base is progressively being computerized through the Governorate-level offices of the Cabinet's Information and Decision Support Center, to create a comprehensive database on all services for the sectional departments, to use it to assess needs and finance necessary in its jurisdiction, so as to be incorporated into the local unit's annual plan.

Alternatively, the local units may establish working groups for follow up in the field and to assess recommendations and priorities expressed by the district's popular council, or through citizens' complaints, key informants in the local community, particularly of NGO's.

- b. ***The Budget***

The local planning capacity is generally modest and planning activities are ultimately directed towards the issuance of the budget rather than achieving clearly formulated objectives and plans for which the budget should be the executive device.

In early spring every year, the various ministries develop rough and initial estimates of their budgets for the next financial year, in accordance with the 5-year plan. These estimates are gradually filtered down through the

hierarchies of each ministry (i.e. at Governorate level, down to village or urban district levels).

Since 1973 the budgets of local units have been composed of Babs (parts), Mokawenat (components) and Benoud (items). The four main parts or “Babs” of the budget are prepared in a way that reflects the degree of centralization. The Babs I and II are for wages/salaries and current expenditures (i.e. operation and maintenance) respectively. These are actually forecasts of the local unit; but do not fluctuate dramatically in a year. The Bab III is practically a list of desired investments, without financial data, which is supplied later by the planning and financial directorates at the Governorate level. Bab IV is for capital transfers. Funds of both Babs III and IV, the most vital parts of the plan, are controlled and allocated at the central government level (i.e. Ministries of Planning and Finance).

After all local budgets have been approved locally, they are sent to the Governorate financial directorate to proceed with finalizing the “general draft budget of the Governorate”. Although the law allows no amendments in budgets approved by lower popular councils, the Governorate, especially the governor, modifies the budgets to form a balanced and more realistic budget. Once the Governorate popular council has approved the Governorate draft budget, it is sent to central ministries (each its relevant section) to prepare the total budget of the Ministry, and negotiate it with Ministers of Finance and Planning. Usually, the negotiations result in a reduction in sectoral budgets. The Governor informs local units within the Governorate of the actual funds available in the approved budget.

The government admits that the improvement of national and sub-national planning could only be reached through decentralization. The Ministry of Planning even has a pilot program for participatory planning involving local communities and stakeholders in the formulation of development plans. However, the establishment and controlling of budget allocation and fiscal systems are still the prerogative of the central level. The problem of the financial system is therefore not only quantitative but also qualitative; the local unit’s financial capacity is restricted by the budgetary system. Re-allocating the resources among Babs (e.g. from wages/salaries to investment) necessitates parliamentary approval; while transfer among Components (e.g. from general cleaning to street lighting and roads maintenance) needs the approval of the Minister of Planning but is possible among items (e.g. from cleaning houses to cleaning streets) upon the Governor’s approval. Local Chiefs can only reallocate resources among similar items, e.g. from elevator

maintenance to lighting equipment, for both belong to the item of electrical maintenance.

**c. *The Selection of Projects***

Local projects are identified through two channels: central and local.

- ***Centrally Devised Projects***

Central ministries prepare their own plans in a way that combines three clusters of projects or activities, called ‘national’, ‘local’ and ‘joint’. National projects are designed and implemented directly by the center (e.g. railroads), while joint projects are implemented by a third party, either being a ministry (e.g. the military builds telephone line network and infrastructure), or a civil organization (e.g. implementing an illiteracy program). The third cluster represents projects implemented by local units (e.g. street lighting). Social service projects, health and education in particular, tend to be more centrally planned, with local units following up and monitoring their implementation.

It should be noted that local authorities, especially popular councils, are not always receptive to centrally planned projects. The councils usually prefer the projects to be planned according to the local needs, which they helped identify.

- ***Locally Suggested Projects***

These are proposed by the local chief and the respective local popular council (e.g. to provide a squatter area with a lighting system), and should be included in the Governorate’s annual development plan, namely Bab III. However, locally selected projects are constrained by a complex legal structure and fiscal regulations. The planning cycle is as follows:

- The planning department at the district/village assesses and designs the requirements of the project. The Local Unit’s Chief discusses the projects and integrates them into the scheme of the local unit’s draft annual plan. The plan is submitted to the popular council for discussion and approval for subsequent submission to the Town/Markaz.
- At this level, all local plans are coordinated, integrated and submitted to the popular council for discussion and approval. The approved plan is submitted to the governorate.
- After the plans are discussed with the Governorate’s secretary general and its directors of planning, properties and finance, the governorate’s plan and budget are drafted at the Governorate’s executive council, and submitted to the popular council for ratification. The latter, without

major amendments or substantial change usually approves the plan.

- Central authorities (i.e. ministries of finance and planning) finalize the Governorates' plans and integrate them in the national plan to be approved at ministerial and parliamentary levels, and then issued by the President.
- The allocated funding is then distributed by the National Investment Bank (NIB) to the local units for implementation through the Governorates. Governors may be able to re-allocate project funds given the concerned central ministries' agreement.

### 1.1.5 Sources of Finance of Local Development

According to the law, there are five major sources of funding local projects:

- Direct Taxes (e.g. on agricultural lands and private houses),
- Indirect Taxes (e.g. customs, sales tax, vehicle licenses, fishing boats, shops, handcrafts shops, house animals, etc.)
- Central Subsidies (e.g. in two major forms: money allocated for specific projects/public utilities, e.g. roads; money not allocated to specific projects, in order to help achieve local development activities, e.g. social philanthropic support.
- Miscellaneous Local Resources (e.g. loans, donations, endowments, etc.)
- Special Accounts/Funds (seven major Funds).

The first three sources are collected by local units but redistributed by central government. While the rest comes from local revenues which are raised and channeled to Special Funds, most important of which is the Local Development Services (LDSF). The latter is the most vital source for additional finance at Governorate as will be described below.

#### ***a. Release of Allocated Funds from the State Budget***

Governmental transfers come in a variety of forms since they are from different sources; direct allocations in the state budget to finance approved projects in the Governorate's plan, allocations in ministries' budgets to implement projects of the ministries' plans at local levels (e.g. the Ministry of Electricity building new power units in villages and cities), and fiscal subsidies from central agencies to help Governorates finance relevant projects or activities (e.g. Ministry of Culture supports the Governorate illiteracy project).

However, direct state budget allocations for Governorates, representing the bulk of central transfers, flow through the National Investment Bank (NIB). Until 1991, the NIB disbursed money allocations of Governorates' budgets as a lump sum; now the disbursement takes place in four quarters. To receive their allocated money, Governorates should submit necessary financial documents of expenditure proving that they have already spent the previous quarterly lump, according the approved

budget. Since starting project implementation, requires that the local unit have the money, a chicken and egg situation in which the release of funds became problematic is created, public indebtedness increasing and projects unfinished.

Disbursement procedures usually take time, perhaps up to three months, following the legal and bureaucratic regulations in designing and bidding, as well as preparing contracts and other documents to be submitted through the planning and finance departments to the NIB.

The result is that Governorates may receive the money shortly before the specified period is over, after which money cannot be disbursed, or before the end of the financial year, after which the unused money is returned to the national treasury<sup>7</sup>. Most local units cannot, therefore, fully accomplish the yearly-approved projects in their plans. Although full implementation of the “development plan” at local levels is politically expected, the average of achievement is at the best around 80-90%. Practically, most of the unachieved projects are included in the next year plans as “projects under completion”. These would take priority in financing over new projects, which in fact delays the implementation of new initiatives responding to emerging needs. The Governors usually tries to finance such project through other available sources, in particular the LDSF.<sup>8</sup>

#### ***b. Special Funds***

There are "sub-national" special funds, which are most vital for the local fiscal autonomy and control of revenues and expenditures. Governorates have their own special funds based on the local administration laws and ministerial decrees. Those funds are: Industrial Services; Cleansing; Road Maintenance; Subsidized Housing; Land Reclamation; the Governorate's portion in the Joint Revenue Fund; and, the Local Development Services (LDSF). The last is the most vital source for additional finance at the Governorate level.

- ***Joint Revenues Fund (JRF)***

A major source of finance (about LE100 million annually) for local units and the MOLD is the Joint Revenues Fund (JRF) where the import-export, industrial, and commercial taxes are

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<sup>7</sup> Accordingly, towards June every year, that is the end of fiscal year, a rush to spend the remaining money takes place nationwide, mostly in construction works.

<sup>8</sup> Note that in fact, this channels the little locally raised and controlled funds to finance projects that should have been financed through central funds.



collected. Half of the amount of money in the JRF is returned to the budget of the Governorates where taxes were collected. The other half goes to the MOLD, to be used as a re-distributive mechanism to fund local developmental projects that cannot be completed solely from the Governorate's sources, especially in poorer Governorates. In all cases, the Ministry of Finance approves the MOLD's transfers of the JRF money, given that the Ministry of Planning has already approved it.

Governorates could submit their proposals requesting JRF support for local developmental projects in accordance with the national plan directives. JRF support is also a source for bridging finance, by lending money to local units (in particular Villages) to help them overcome any delay in the NIB procedures. Moreover, in order to avoid NIB delays, the MOLD uses its JRF in vital situations (e.g. floods, natural disasters).

- ***Local Development Services Fund (LDSF)***  
The main sources of finance for the LDSF are service charges and special fees that should be approved by the Governorate's popular council. Other sources include donations and grants (governmental or non-governmental). Another substantial source of revenue for the LDSF is the rental income of housing units financed through the LDSF and profits from income generating projects funded through the LDSF.

The money of the special funds is as legally protected and supervised as public money (e.g. final account is checked by the Central Agency for Auditing, and violation is considered a public offense). Yet, the major advantage of special funds is that their resources (although classified as a current revenue item in the Governorate's budget) are allocated at sub-national level as a cumulative balance of funds rolled over from prior years, so that the local units can preserve any surplus for next year.

### 1.1.6 Relative Power in Local Governance

The law incorporates a system composed of two separate entities in local units: appointed executives and elected representatives. However, this does not empower local governance, on the contrary, the laws, as well as political dynamics, show a strategic bias in favor of executives.

#### ***a. The Role of Local Elected Representatives***

Popular councils, although being given the right for self-administration and defining local community needs, lack the competence, technical

knowledge, and qualified human resources to prepare their plans and budgets. The role of the executives is obvious in all transactions. Although chief executives should theoretically finalize the local budgets proposed through popular councils, executive councils (i.e. sectoral directorates) are the ones who receive governmental directives for preparing the budgets, and then submit these budget drafts to popular councils for approval.

Most of the inputs of the popular councils concerning the budget which go beyond the initial guidelines stipulated by the ministerial representatives in the Governorates (i.e. sectoral directorates) are ignored at the central government level.

In order to counter-balance this futile exercise, the majority of popular councils were inclined during the last two decades to rely on an increase of local resources for funding (e.g. an increasing number of fees and charges, some of which are proven illegal and unconstitutional).

***b. The Role of the Local Executives***

The minor role played by the popular councils might suggest that the local executives have more power to direct resources. This is only true in relative terms, but the real power lies in the center. The power of sectoral departments come from their being the agents of the center at local level. The intervention of the Ministry of Finance, for instance, takes the form of a "book of instructions" which is distributed to Governorates (i.e. financial directorates). This book specifically outlines the procedural steps required for the preparation of the local budgets, as well as for procurement.

Lack of funds in the local councils not only makes fund-raising a major concern of these councils but also gives greater power to the executive branch of the system. Together with security procedures, local finances represent the major channel through which the government influences the local administration system.

The distribution of resources is centrally controlled, however, they are greatly influenced by the negotiating powers of a governor and the support he receives from the central government. Moreover, the more a governor is development-oriented and committed to decentralization, the more he allows for cooperation between local institutions (appointed and elected) and motivates the popular council to raise funds locally and to activate community participation, instead of being greatly dependent on the central government. Yet, the complicated budgetary process is an obstacle that affects the governors' enthusiasm for decentralization. A number of governors might take politically miscalculated risks and thus

face a critical situation with the central government. So, despite being subject to the same regulations and the 'unified' law, some Governors have better records and provide success stories.

## Annex 2 Case Studies for Decentralization

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In order to complement the understanding of the status of decentralization within the local administration conditions, three cases will be analyzed. These examples represent decentralization in various issues other than environmental management. For each initiative, the system players will be identified and their responsibilities indicated together with the organizational structure of the system. The system will then be analyzed according to the methodology included in chapter 1 where political support, availability of resources, interaction with other entities, and involvement of the local community will be investigated.

Three initiatives were selected for investigation, each addressing different subject matter and, in order to be able to draw useful parallels for DEM, the cases were selected such that they are all relatively recent and involve a substantial number of players. The three initiatives are:

- National Council for Women
- Shorouk Program
- Investment Services System

### 1. The National Council for Women<sup>9</sup>

#### a. Objective and Mandates

The National Council for Women (NCW) was established by the Presidential Decree 90/2000 as an autonomous entity affiliated to the President and chaired by the First Lady. The mission of the council is to advance the status of Egyptian women and maximize their contribution to growth and development of Egypt.

According to the Presidential decree, the council is mandated to propose national policies related to the advancement of women as well as monitor and evaluate them and formulate recommendations to the concerned parties. NCW is mandated to monitor the implementation of laws

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<sup>9</sup> Major source: NCW publications and decree.

pertaining to women, through the concerned government institutions. For this purpose, NCW has finalized its strategy for mainstreaming gender in the National Development Plan of Egypt 2002-2007 and is establishing mechanisms for monitoring its implementation.

**b. Key Players and Organization Structure**

The First Lady is the Chairperson of the NCW and she appoints the Secretary General who is responsible for implementing the Council's decisions. Along with the NCW Chairperson and General Secretary, there are 30 members in the NCW at the central level, of whom the chairs of 11 standing committees, an executive committee, and a committee of coordinators are selected. NCW also has 27 branches in the governorates.

- **Central Level**

The council has established Standing Committees in order to carry out its strategic functions. The committees include representatives from the concerned ministries and NGOs. An executive committee is established to be responsible for following up the final reports of the Standing Committees and the Branches, and to identify the important issues and take decisions accordingly

- **Branches at the Local Level**

There are regional branches in all 26 governorates and Luxor city, directed by boards appointed by the central head office. Each branch is composed of 9 to 18 public figures with experience in women's issues. The branches are mandated to follow up and implement the recommendations adopted by the Council as well as identify obstacles and propose adequate solutions.

**c. Analysis**

- **Decentralization Status**

The NCW has both central and local components. The local branches undertake their functions within a unified strategy set by the central NCW. The branches report to the central level. The establishment of the branches ensures that the decisions and strategies of the council are based on the actual needs at the local level. This type of deconcentration is the most compatible type with the dominant decentralization pattern in Egypt.

- **Structure and its Compatibility with Local Administration**

The NCW is related to a cross cutting issue that is not the independent responsibility of any of the existing ministries and entities, yet it should be implemented and undertaken by all entities. Accordingly the NCW is responsible for setting the policy, planning and monitoring of all issues related to women. The NCW and its branches are superimposed on the local administrative system.

The branches, over which the governors have no authority, are affiliated to the central level.

- **Political Commitment**

The NCW has high political support represented in its affiliation to the President of Egypt and by it being chaired by the First Lady. This commitment is reflected in the allocation of a special budget in the state budget and the issuance of a Presidential decree. This commitment strengthens the council and promotes its activities and relations with other entities.

## **Resources**

- ***Technical Resources***

The members of the NCW are all experienced personnel, most of whom worked extensively in gender issues. Committees formed of specialized technical personnel are responsible for drawing the national strategy and studying different activities of related entities. Moreover, technical support is provided to the NCW branches and capacity building and training activities are carried out for their personnel.

- ***Financial Resources***

The Council has a special budget for its revenues and expenditures. The resources include allocations in the government's general budget as well as donations and grants. A special account is set up to collect these resources in a public sector commercial bank. Being an autonomous entity with a separate budget allows the NCW to undertake all its responsibilities without being hindered by the detailed disbursement procedures for the NIB.

- **Interaction with Other Entities**

The council and its branches are liable to interact, negotiate and coordinate with all governmental agencies as far as women's affairs are concerned. It also reviews and formulates suggestions for the national development plan and budget and has the right to establish units in different entities to monitor the implementation of the agreed on plans.

NCW has prepared the groundwork necessary for monitoring the implementation of the gender-related policies through training of staff, creation of Equal Opportunity Units in several ministries, signing Protocols of Cooperation with ministries and other institutions. The "Equal Opportunity Watch" mechanisms, to ensure the application of the principle of constitutional equality between men and women, should be in permanent contact with all the programs of the Council.

The council interacts with a large number of entities. All concerned entities and ministries are members in the council committees and thus their coordination is

guaranteed. Moreover, the commitment of these entities to coordination is not left for their discretion but is imposed by an article in the NCW presidential decree.

- **Involvement of Local Community**

The community is the recipient of all activities undertaken by the NCW. This interaction is undertaken directly through the branches of the NCW. The community is the target for an array of activities such as strategy formulation and integration of gender issues in the activities of different entities while the community is responsible for the implementation of some activities such as awareness for which they receive support from the NCW.

## 2. Shorouk<sup>10</sup>

In the mid-1990's, the government declared a new initiative to upgrade the living conditions of rural communities. The National Program for Integrated Rural Development (Shorouk) is a leading comprehensive and long-term program for rural development in Egypt.

### a. Objectives and Mandates

The main objective of the program is to address poverty and deprivation in Egypt. The program was declared and incorporated into the National 20-Year Plan (1998-2017) and a Minister for Rural Development was assigned to enhance and follow up its implementation of the program.

The development areas under Shorouk include infrastructure, economic development as well as institutional capacity and human resources development. The program involves the formulation of local committees operating as policy units for project planning and implementation.

### b. Key Players and Organization Structure

- **Local Level**

At the local level, Shorouk committees are established by the governor's decree in his capacity as the representative of the national government in the governorate. The committees have been formed as autonomous bodies locally managed and authorized to plan, implement, and assess local projects funded by the initiative. The committees' decisions are to be formally

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<sup>10</sup> Major source of information: Societe Egyptienne d'Economie Politique de Statistique et de Legislation, L'Egypte Contemporaine: Community Development in Egypt, 2001

processed by the administratively authorized bodies, i.e. chairman of the executive council. The committees include:

- Base-level committees established at the villages including representatives from elected popular council, executive council, natural leaders and all local NGOs
- A regional technical committee at the governorate level established under the supervision of the governor. The committee coordinates the villages' plans so as to avoid duplication. The committee includes chiefs of the local units as well as the regional technical advisor of Shorouk appointed by The Organization for Reconstruction and Development of Egyptian Village (ORDEV) to monitor the governorate commitment. Technical assistance sub-committees are established at the district level.
- **Central Level**
  - National coordinating committees are established from among the concerned ministries and agencies to facilitate the implementation of Shorouk. The committees include Economic Development Committee, Human Resources Development and Institutional Development Committee and Infrastructure Committee.
  - ORDEV is the central agent of Shorouk program. It plays the role of the mediator, facilitator and source of technical assistance and is responsible for channeling funds for rural development.

### c. Analysis

- **Decentralization Status**

Shorouk aims at maximizing the decentralization that the existing legal framework allows. The committees are established by the governor's decree in his capacity and are viewed to have a consultative nature to help local authorities, however they have no legal responsibility and accountability.

In a parallel development, the portfolio of local administration was transferred to the Prime Minister, and a council of governors headed by him was created. The traditional hierarchical system of local administration under the direct control of a central minister no longer exists. Local units at all sub-national levels are less administratively accountable before the Center and more before the governor. The powers of the MOLD have become more of a functional support than administrative control and the Minister has no direct authority on the local units.



- **Structure and its Compatibility with the Local Administration**

Shorouk represents a parallel structure to the local administration context. The committees do not comply with the existing legal/institutional framework of local development. Members of the popular councils participating in Shorouk committees are selected and approved by executive authorities although the councils are legally the representative organs in the local units. The parallel structure, in this case, was needed to avoid the political conflict that would result from withdrawing the power of the markaz and the governorate in amending projects requested by the village level. The program lacks formal transparent procedures related to the relationship between the committees and popular/executive councils at local levels.

In Shorouk, planning is from the bottom up where the village committees are the decision-making organs for setting priorities of the projects. A new process of data collection for planning is initiated to ensure that the projects respond to the needs where socio-economic mapping of the village is undertaken followed by needs assessment based on community involvement.

Instead of dispersing power and authority among different parties, the committees were able to consolidate their powers and enjoy a bigger potential for consensual decision-making, definitely encouraged by the availability of funds.

- **Political Support**

The program enjoys political commitment where two National Conferences for Integrated Rural Development are annually held under the auspices of the President. Moreover, the President has publicly committed for the allocation of additional resources in case they are needed. However, the program is highly sensitive to this political support as the committees, the program's basic units, are established in the governor's capacity with no independent legal personhood and thus could be dissolved by an executive decree.

- **Resources**

- **Technical Resources**

In order to address the problem of low technical capabilities generally associated with the local administration, regional technical advisors are appointed in the regional technical committee to provide technical support to the committee.

- **Financial Resources**

Shorouk has an allocated lump sum in the state's budget. The budget is controlled by ORDEV, which directs it towards selected projects. The program also benefits from the Local Development Fund (section 2.1.5) to provide loans for medium-and-small enterprises related to Shorouk' objectives.

Allocating a lump sum fund for program in the state budget provides enough flexibility to re-allocate resources upon need. The village committees are the ones that decide about their priorities and their estimated costs.

Shorouk addresses the same projects that should be financed through the normal procedure. However, the procedure of acquiring funds for these projects is simplified through creating a direct link from the village to the central levels and pre-deciding funds for different villages.

In order to overcome the delay in the NIB procedures, the JRF is used as a source for bridging finance, by lending money to local units.

- **Relation with Other Entities**

The central coordinating committees includes representatives of almost all entities dealing with Shorouk. This has helped in promoting and strengthening the coordination with other entities.

- **Involvement of the Community**

In Shorouk, program committees are formed to plan, implement and assess local projects funded by the initiative. The committees are formed of executive councils, elected popular councils and representatives of the community and NGOs. Such committees act as policy planning units. The program thus provides a higher participatory approach, yet represents a parallel structure to the local administration structure.

### 3. Investment Services System<sup>11</sup>

In a 'political' initiative, the Cabinet of Ministers decided to facilitate investors' affairs through simplifying procedures and decreasing transaction costs created by the huge and complicated bureaucracy. In 1994, Investment Offices at the governorates were established in response to the recommendations of CAO in 1994 to facilitate procedures needed to establish investment projects. Moreover, a Presidential decree (no 79/2002) was issued in 2002 to establish the Assembly of Investment Services within the General Authority for Investment (GAFI).

#### a. Objectives and Mandates

The two sub-systems, the assembly of investment services and the governorate investment offices, have consistent objectives and mandates.

- ***Investment Office at the Governorate***

At each governorate, there is an office for investors' affairs affiliated directly to the respective governor. The objective of these offices is to shorten procedures and to utilize the political and administrative powers and mandate of the governor to solve problems in a more decentralized way. The responsibilities include:

- Assisting the investors that acquired the approval of GAFI to acquire all needed approvals from other entities.
- Provide investors with needed services regarding data, information and required conditions.

- ***Assembly of Investment Services***

The assembly was established by the Presidential decree as the entity responsible for providing investment services needed to establish and operate investment projects through representatives of all concerned Ministries and entities. A Prime Ministerial decree was issued to clarify its working system.

The assembly could be thought of as a support to the governorate investment offices where it was found that in order to facilitate the job of the local offices, a central assembly of all entities involved should be formed to address all needed approvals.

It is planned that the two systems be integrated in the future. Currently, the central assembly is established together with regional branches in Cairo, Ismailia, Alexandria, and

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<sup>11</sup> Major sources of information:

- Establishment decrees
- Interviews with members of the investment offices and GAFI.

Assiut as well as in a number of industrial cities. In the future, the governorate offices will be integrated as branches in the system.

**b. Organization Structure**

- ***Investment Offices***  
The office usually includes 4-5 employees of different technical backgrounds. The office is directly affiliated to the governor. All entities dealing with the office are requested by the governor's decree to implement it. Together with the office, investment committees were formed at the governorate level by GAFI decree. The committee is headed by the governor, and includes representatives of the relevant entities (directorates of Housing, Manpower, etc.) together with the GAFI representative. The committee studies the project applications and is the party granting approvals.
- ***Assembly of Investment Services***  
The assembly is affiliated to the GAFI. Representatives of other entities granting approvals, licenses and permits, are delegated to take the required decision without consulting their entities as well as approve and ratify any procedures, decisions, documents or contracts required to provide the investment services.  
  
For entities providing services requiring laboratory and field analysis or those related to the project location, their representatives will act as contact persons with no power to take decisions without going back to their entities. The contact persons are authorized to receive the investors' applications, send them to their entities and follow-up their processing in the required time frame as well as submit them to the investors.

**c. Financial Resources**

There are no additional fees paid by the investors in return for the services provided by the investment service systems as the investment office is financed from the local administration budget. However, the assembly collects the normal charges borne by the investors in return for the investment services.

**d. Analysis**

- ***Decentralization Status***  
The investor offices in the governorate are affiliated to the governor and are totally decentralized since they do not report to

any central authority. The offices operate within the local policies set by the governor, although with GAFI inputs.

The evolving new system will affiliate the local branches to a single central entity, the GAFI, with less power of the governor on the assembly branches. The role of the assembly and its branches is merely facilitating the investment procedures based on the central policy and plans set by the GAFI, which might contradict local perception of the needs. The system is moving towards centralized planning.

- ***Structure and its Compatibility to the Local Administration***

The investment office is an integral part of the local administration. The related committee is a normal approach of the local administration to address issues requiring coordinated decisions and/or actions. On the other hand, the assembly structure is different from the normal administration structure. The assembly includes representatives of different entities yet it is totally affiliated to the GAFI. This structure is new to the administration system where a number of the assembly members are delegated to take the required decision without referring to their entities.

- ***Political Support***

The assembly is politically supported by the issuance of a Presidential decree and a Prime Ministerial decree; a much higher support than that granted to the investment offices. Both cases are reactions to constant pressure from the business community to improve the performance of bureaucracy in terms of investment procedures and services.

- ***Relation with other Entities***

All concerned entities are members of the assembly, which ensures the commitment and coordination of these entities. The Prime Ministerial decree sets the principles for such coordination and illustrates the required level of interaction of each entity. The assembly structure is more inclusive than the local investment committees and its members have executive powers.

In the case of the existing investment offices in the governorate, the governor's power is used to ensure the coordination of the other entities.

- ***Involvement of the Community***

The system serves the business community, yet its interaction with other sectors of the local community is minimal.

## **Annex 3 Case Studies for DEM**

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### **1. Water and Wastewater Sector<sup>12</sup>**

The water supply and wastewater sector encompasses the treatment and distribution of water for domestic and commercial/industrial purposes and the collection, treatment and disposal of municipal wastewater.

#### **1.1 Objectives and Mandates**

The objective is to manage and operate the water supply resources as well as the wastewater treatment components. According to Law 93/1962 for the public sewer system, modified by decree 44/2000, the Ministry of Housing, and its local directorates, is the entity responsible for the wastewater sector. Law 27/1978 for potable water resources sets the Ministry of Housing as the entity responsible for water distribution and management.

#### **1.2 System Players and Organizational Structure**

A number of entities are involved in different activities of the wastewater sector including operation, planning and financing.

##### **a. Operation**

The operating entities are responsible for the operation and maintenance of the wastewater utilities. There are four types of operating entities including:

- **Economic Water and Wastewater Organizations**  
These are the general organizations for water supply and wastewater in Greater Cairo, Alexandria, Fayoum, Minya, Beni Suef, Aswan, Sharkeya, Dakhaleya and South Sinai. In 1994, Presidential decrees changed their status to economic public utilities.

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<sup>12</sup> Major source is the documents of the Project of the Reorganization of the Waste/wastewater Sector financed by USAID.

- **Governorate Water Supply and Wastewater Companies**  
These are found in the governorates of Beheira, Damietta, Kafr El Sheikh and Luxor. Presidential decrees were issued to change the status of Beheira, Damietta, and Kafr El Sheikh from governorate utilities into public companies, where the Minister of Housing nominates the chairman and board of directors. The governor has an indirect influence on such entities through requesting and recommending the action to the Minister having the sole right to take the appropriate decisions.
- **Suez Canal Authority**  
This authority provides water services in the cities of Suez, Port Said and Ismailia.
- **Governorates**  
This is done through local housing directorates or municipal departments providing water supply and wastewater services in all areas other than those listed above. The governor has full authority on the directorates and the competence of the Minister where he has the authority to hire, fire, direct and sanction.
- **New Communities**  
These units are directly affiliated to the Ministry of Housing and are responsible for wastewater management in the industrial cities.

**b. Management and Planning: Ministry of Housing**

The Ministry of Housing is responsible for all sector issues including policy formulation, planning and administration issues.

- ***Central Department of Public Utilities***  
The Central Department of Public Utilities is in charge of the sector management and planning as well as the development of sector strategy.
- ***High Policy Committee***  
The committee ratifies the strategy and reviews the wastewater tariffs proposed by the governorates. The tariffs are proposed by the local units and submitted to the governor and then to the Ministry of Housing to be approved by the Policy Committee. The tariff is then ratified by the Prime Minister.
- ***National Organization for Potable and Sanitary Drainage***  
The National Organization for Potable Water and Sanitary Drainage (NOPWASD) is responsible for general sector planning, support and coordination. It also prepares, designs and executes investment projects for governorate wastewater companies and governorate directorates. The agency provides the link between

individual operating companies, the government and the donors. However, the operating companies of Cairo and Alexandria are outside the scope of the NOPWASD. Its responsibilities include:

- Compilation and analysis of sector information
- Assistance in overall sector planning and project selection within the context of the five-year planning process
- Preparation and execution of investment projects from the governorate directorates and governorate wastewater companies
- Assistance to operating companies and training of sector personnel
- Coordination of donor involvement

### 1.3 Analysis

#### *a. Decentralization Status*

- The sector is characterized by multiple administrative affiliations with minimal coordination between the different key players.
- Operating agencies are only authorized to manage operation and maintenance activities. In spite of their apparent autonomy, the management of operating agencies is controlled by the national government either directly (as in the case of separate independent public authorities) or indirectly (as in the case of governorate wastewater companies and local housing directorates in the governorates).
- The sector is overly centralized in the management, planning and financial aspects. The system of investment project selection, financing and implementation is run centrally without sufficient involvement of operating agency management. Accordingly, most of the implemented projects do not adequately respond to the local needs.

#### *b. Structure and its Compatibility with Local Administration*

- The system is compatible with the local administration context in a number of governorates where housing directorates are in charge. However, in other governorates, other forms of operating public entities are established such as water supply and wastewater companies with different structures and affiliations.
- The affiliation of the operation entities changes with the type of governorate where housing directorates are under the direct control of the governor while water supply and wastewater companies established in other governorates are not.
- There is no clear strategy for sector development based on objective needs and priorities. The priorities are mainly based on political factors and the objectives of funded programs and projects. The current system's lack of transparency, in terms of process, eligibility criteria and financing conditions does not guarantee that funds are provided to high priority projects and opens the whole allocation process to political pressures mainly applied at the central level, where decisions are taken.



### c. Technical Resources

- ***Low Technical Capabilities in the Operating Entities***

The operating entities involved in the sector suffer from severe over-staffing as well as a lack of qualified and experienced administrative, managerial and technical staff.

The management is not experienced in modern utility management practices and planning issues are restricted to daily operational concerns. The low capabilities are coupled with a lack of modern administrative systems to train the employees. It is not possible for the operating companies to attract and retain qualified staff or to motivate employees, especially with the low salaries and the regulations of the civil service manpower.
- ***Low Technical Capabilities in the Ministry of Housing***
  - The ability of the Ministry of Housing is limited with respect to policy formulation and strategic planning, intersectoral coordination, assistance to operating entities, project design and implementation.
  - Lack of sufficient in-house capabilities is a problem in the NOPWASD, which affects the project preparation and implementation. There is little capacity to deal with financial and technical issues. The ability of the NOPWASD to coordinate donor involvement is restricted by the absence of an overall sector development strategy.
  - Low technical capabilities at the NOPWASD have resulted in inadequate feasibility studies and project designs as well as low suitability of project choices and designs to local needs and conditions.
- ***Low Technical Capabilities in the Ministry of Planning***

Although the Ministry of Planning plays an important role in allocating funds for sector investments, it has little technical capacity to make decisions regarding the prioritization of the proposed sector investments.

### d. Financial Resources

The Ministry of Planning is responsible for the allocation of domestic resources for sector investments and in the selection of projects within the context of the government's five-year planning process for public sector investments. The National Investment Bank (NIB) of the Ministry of Planning administers and disburses funds for investment allocated under the five-year plan. The NIB responsibilities include:

- Decide upon the nature and conditions of the funding
- Allocate resources for implementing approved projects in accordance with budget provisions

- Monitor progress in project implementation through the review of documentation
  - Authorize the disbursement of funds
  - Participation in the preparation of project feasibility studies
- The Ministry of Finance is the provider of domestic resources for sector investment funds. It is also the administrator of the budget process in case of the governorate directorates.

Based on the above, the following could be deduced:

- ***Centralized Finance***  
Financially, all agencies are integrated in the national budget process for funding governorate expenditures. The central government controls the setting of rates. The low tariff levels are exacerbated by poor billing and collection practices.  
The responsibility for the selection, preparation and execution of investment projects is the domain of the central level. Moreover, the governorate directorates are fully integrated into the municipal administration and have no separate personhood.
- ***Insufficient Resource Generation at the Local Level***  
Insufficient resource generation by utilities leads to the lack of adequate operation and maintenance and the complete reliance on government subsidies for investment funds. Due to the lack of cost recovery policy, sewage rates are very low which does not allow the operating companies to generate revenues to cover the basic operating costs and thus has no contribution to investment of projects.  
  
This is particularly critical for the governorates where the directorates of Housing depend totally on the government budgetary allocation for sector expenditures. Accordingly, the operating agencies are dependent on sources of financing largely outside of their control and often do not have access to the funds needed for the proposed operation and maintenance and expansion of systems and facilities.

#### e. **Interaction with Other Entities**

All the parties concerned with water and wastewater management are involved in the multiple sub-systems. The interaction with other entities is minimal, with the exception of that concerned with funding and the quest for it. Moreover, given the lack of an overall strategy, actors of the different sub-systems do not have adequate or sustained communication.

## **f. Interaction of the Local Community**

The local community is the recipient of the services provided. However, interaction with the community is generally limited to complaints for dissatisfaction of the service. In the specific circumstances of the establishment of small wastewater treatment units, the interaction takes the form of contribution to funding or land needed for such units. The community participation in this respect has been constantly increasing since the projects for which the community resources are mobilized are privileged in the planning process. This follows the same trend formalized in Shorouk projects (see section 2.2.2).

## **2. Solid Waste Management: Alexandria Case<sup>13</sup>**

### **2.1 Introduction**

Two decades ago, the solid waste management system in Alexandria was operated, managed and monitored by the local units at different levels through recruited technical and administrative staff. Independently, garbage collectors were active in solid waste collection from residential areas.

The system was faced by several problems:

- Low coverage of the residential area
- Insufficient resources represented in the number of waste containers in the streets and number of trucks responsible for the transportation of waste
- Lack of segregation of the waste according to its categories with the health care wastes disposed with the solid waste
- No collection of industrial solid waste from its generation sources
- Absence of good practices for waste disposal where the waste is disposed of in open disposal sites with no health and environmental specifications
- Lack of human resources for collection and transportation activities due to social considerations
- Absence of an organized mechanism for street cleansing activities
- Lack of administrative and technical capabilities

The governorate has undertaken several attempts to enhance the efficiency of solid waste management, most important of which was the establishment of the “Alexandria Cleansing and Beautification Authority” which took the responsibility for solid waste collection from public areas and its transportation. However, this did not function well as the components of the solid waste system were never complete due to the technical, financial and administrative problems associated with the operation within the local administration system. The persistence of these problems, together with the dissolution of the garbage collection system, exacerbated solid

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<sup>13</sup> Major source of information: Personal communication with Alexandria’s ex-secretary general who contributed to the design and implementation of the project.

waste problems including accumulation in streets. This deterioration encouraged the governorate to undertake a detailed study to address the problem and propose adequate solutions.

The study identified the specifications of an adequate system for solid waste management based on data of all districts and areas in Alexandria. Moreover, the study included an assessment of available technical capabilities in the local units. The study had the following findings:

- It is difficult to upgrade the existing system to fulfill the requirements of an effective solid waste management system. Instead, a new system for waste collection, transportation and final disposal should be adopted
- Due to the weak technical, administrative and financial capabilities of the governorate, it was decided to commission all cleaning activities to a private company with the required expertise. The governorate will follow up and inspect the cleaning activities
- The study stressed the importance of having a separate budget to sustainably finance the system. It proposed the collection of user fees from the public through the Electricity Distribution Company such that the fees are indicated according to the monthly electricity consumption.

The solid waste management system was contracted to an international company according to public procurement Law 89/1998.

## 2.2 Objectives and Mandates

The governorate decided to contract the cleansing activities to a private contractor to undertake activities of waste collection and transportation and disposal. As recommended by the study, beneficiaries were to bear the expenses for the system in accordance with Law 37/1967. Moreover, according to Law 43/1979, the local council is mandated to set user charges in return for services given by the governorate after the approval of the Prime Minister.

The system operator is responsible for:

- Daily collection of wastes from houses and markets and their transportation to treatment or disposal sites
- Removal of confined construction waste
- Manual and mechanical sweeping and washing of streets, beaches, and gardens
- Providing waste baskets in streets and their emptying
- Collection of health care wastes
- Establishing waste composting units
- Establishing sanitary landfill and rehabilitation of existing waste dumps

A Monitoring unit in the governorate was to follow up the activities of the operator according to the following functions:

- Follow up the implementation of the contract conditions
- Follow up and monitor daily activities using checklists and special forms
- Ensure that activities are undertaken according to the work plan and programs
- Identify obstacles and coordinate for their solution
- Investigate complaints and analyze their patterns
- Issue violations and fines according to the contract with the international contractor
- Prepare follow-up reports

## 2.3 System Players and Organization Structure

- A private international company was commissioned to operate the system and undertake the operating functions.
- A special unit for solid waste management was established in the governorate directly affiliated to the secretary general. The unit personnel were trained in solid waste management and methods for follow-up and monitoring of the operation of the system components including collection, transportation, treatment and composting as well as disposal of wastes.
- The Electricity Distribution Company is responsible for collecting the cleansing fees with the electricity bills according to a contract with the governorate.
- In the system establishment phase, popular councils were involved in proposing the fees to be imposed on the beneficiaries while the Prime Minister was responsible for ratifying the fees.

## 2.4 Analysis

- ***Decentralization Status***

The decentralization type applied in this case is divestment, which is new to the Egyptian context.

The follow-up unit is directly affiliated to the secretary general and has no relation to the local units or to the Cleansing and Beautification Authority. It is located in the local administration but did not use the existing structures.

The governorate is currently considering the merger of its environmental related units, which also include a hazardous waste management unit, under the umbrella of a restructured and strengthened EMU.

- ***Structure and its Compatibility to the Local Administration***

The privatization of the solid waste management system in Alexandria has changed the role of the governorate from the system operator to a supervisor responsible for monitoring the system operation, and identifying shortcomings and necessary actions.

The system introduces contractual agreements as a new tool in the local administration system. These agreements set the principles for the interaction of the governorate with the system operator, the governorate with the Electricity Distribution Company and the Electricity Company with the users. The agreements ensure the commitment and high performance of different parties involved in the system and provide the grounds for system sustainability.

- ***Technical Resources***

The international company responsible for the solid waste management has worldwide experience regarding the issue. The solid waste management unit personnel have benefited from extensive capacity building efforts. Such training activities have enhanced the technical capabilities of the unit and enabled it to undertake its responsibilities effectively.

- ***Financial Resources***

Fees are collected from the beneficiaries in return for the service they receive. The fees are collected through the electricity bills by the Electricity Distribution Company according to a contract between the company the governorate. According to the contract, the Electricity Company forwards the fees to the governorate every 10 days.

The financial scheme of the system does not follow the financial mechanism in the local administration. The user charges collected through the Electricity Distribution Company are directly forwarded to the governorate, which avoids the lengthy procedures for disbursement from the central to the local level.

On the other hand, the follow-up unit is still financed from the governorate budget.

- ***Political Support***

The privatization of solid waste contracts enjoys a clear political commitment. Moreover, in this specific case of Alexandria, the prime Minister who is responsible for ratifying users fees proposed by the local popular council has delegated this authority to the Governor. The experience of Alexandria in terms of securing the related technical and financial capabilities provides a good road map for the other governorates following suit.

- ***Interaction with Other Entities***

The interaction with the Electricity Distribution Company is through the contract between the company and the governorate.

- ***Involvement of the Local Community***

The local community is the recipient of the service and pays a user charge for it. The community is thus aware of the responsibility of the operating

company and issues complaints whenever needed. The community was targeted by several awareness campaigns to discuss the project and its financial obligations and they were encouraged to issue complaints in case of dissatisfaction. Moreover, the fees were exhaustively discussed with the local representatives (the local popular council), responsible by law to propose the imposition/modification of user fees.

### **3. Environmental Management Units at the Governorates**

#### **3.1 Background**

In April 1981, the Ministerial Committee for Environmental Affairs recommended the establishment of environmental management units (EMUs) in the governorates. The EMUs were established before the establishment of EEAA with the objective of protecting the environment from pollution within the borders of the Governorate. The EMUs were to report administratively and technically to the governor. In 1987, it was decided that EMUs should report technically to EEAA. Accordingly, their mandates were expanded, although not reflected in available scarce human and financial resources. However, the limited role of EEAA in the 1980s has resulted in a dormant state of the environmental functions undertaken by most EMUs.

Law 4/1994 mandated EEAA to establish Regional Branch Offices (RBOs) affiliated to the agency. In 1995, the State Minister for Administrative Development and Environmental Affairs issued his decree number 187/1995 to establish eight RBOs.

The issuance of Law 4/1994 has resulted in a confusing situation due to the inclination to establish the RBOs outside the local administration to report both technically and administratively to EEAA. It was deduced that the EMUs will interface with RBOs, but the 1995 decree, addressing RBOs mandates, did not clarify the nature of this relation, which was described as “Set coordination links with Governorates so as to achieve EEAA’s objectives for environmental protection”. Furthermore, other items in the same article, especially those related to environmental awareness and compliance follow-up, represented a clear overlap with the presumed functions of the EMUs.

Actual RBO establishment did follow quickly the decree of 1995, declaring the mandate and geographic domain of RBOs. It was only in 2000 that RBOs started to have a real existence, the exception being that of the Greater Cairo and Fayoum RBO. The resulting gap, especially with the end of the grace period of Law 4/94 in early 1998, has caused EEAA to request, successfully, the granting of judicial powers concerning Law 4/94 to heads of EMUs and other selected officials of the local administration.

The decree of 1995 and the following events have triggered a series of valuable contributions<sup>14</sup> concerning the disengagement of the overlapping mandates of RBOs and EMUs. These contributions have delineated the importance of the coordination and cooperation between the RBOs and EMUs as two partners that play important roles in the environmental protection scheme.

In March 2001, the EEAA Chief Executive Officer (CEO) issued the decree number 17/2001 concerning the policies of RBOs. A Policies and Procedures Manual for RBOs, developed by the EEPP, was issued with the decree. The manual is an important step forward in the decentralization process as it sets the principles for RBO operation.

In 2001, EEAA also developed coordination procedures between RBOs and EMUs<sup>15</sup> which set the principles of coordination between the two entities and provided detailed procedures for three fields: inspection, environmental impact assessment, and hazardous waste management. However, such procedures have not been applied yet.

EEPP was involved in the preparation of a Prime Ministerial Decree identifying the revised mandates and organizational structure of the EMUs. Recently, it was decided to support the need, and advantages, of this decree through the pilot implementation in a number of governorates.

In cooperation with the DANIDA-funded Environmental Support Program (ESP), EEAA has formed a DEM task force to set the strategy for DEM through a participatory approach of involving external stakeholders of other line ministries. This task force is expected to contribute positively to the DEM process.

### 3.2 Objectives and Mandates

The EMUs were established in 1982 by governor decisions based on recommendation by the Ministerial Committee for Environmental Affairs to establish them in the governorates. The EMUs were established as units *responsible for environmental protection within the borders of the governorate*. The currently applicable mandates of the EMUs, being issued before Law 4/1994, do not reflect functions related to its implementation or the functions currently undertaken by the EMUs such as inspection activities and EIA review. The mandates proposed in the decree prepared by EEPP reflect all the functions that EMU are active in.

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<sup>14</sup> OSP, Study on EEAA Regional Branches, March 1998” and “Proposal for Institutional Development for EMUs in the Governorates, October 1999”

<sup>15</sup> OSP, Coordination Procedures between RBOs and EMUs, 2001



The decree also proposes that the EMU be technically affiliated to EEAA, reiterating what was decided upon in 1987. As shown below, the proposed functions could be classified into planning functions and operational functions. The former entails decision-making and setting policies and plans as well as the integration of decisions and the mobilization of the resources to implement these decisions. In operation-oriented functions, activities undertaken are implemented within a set policy and/or plan.

- ***Planning Functions***
  - Participating in the development of the NEAP
  - Developing environmental protection plans of the governorate (GEAP)
  - Assisting in the preparation of environmental contingency plans at the governorate level and assessing training needs and coordinate them with the concerned agencies
  - Preparing environmental profiles of the governorate
  - Participating in the preparation of the development and investment plans of the governorate and ensuring the incorporation of the environmental dimension
- ***Operation-oriented Functions***
  - Involving, stimulating and activating the role of the NGOs and support its efforts in the field of developing and protection of the environment.
  - Cooperating and coordinating with the RBOs in the framework of Law 4/1994 and to all laws and decrees regulating environmental affairs
  - Coordinating with the competent authorities in the governorate in reviewing EIA studies according to the agreement with EEAA and following up the implementation of the environmental specifications in the EIA approval
  - Implementing current environmental regulations. Preparing and implementing inspection and surveillance plans and receiving public complaints concerning environmental problems, investigating them and taking the necessary actions in coordination with the concerned agencies in the governorate.
  - Following up the implementation of hazardous substances and wastes management and handling procedures in the governorate with the coordination and cooperation with the executive bodies.
  - Assisting RBOs in implementing pilot environmental projects within the governorate and designing and implementing environmental projects (plant nurseries, plantation and waste recycling, etc.)
  - Supervision of solid waste management contracts
  - Developing and upgrading of the environmental status report at the governorate level
  - Development and implementation of environmental training programs in cooperation with the RBOs

- Developing and implementing public awareness and communication programs in cooperation and coordination with RBOs.
- Coordinating with the natural protectorates inside the governorate in light of the responsibility of these protectorates to protect and conserve the natural heritage inside it and ensure the enforcement of environmental regulation related to it.

The technical and financial requirements of the above functions differ according to the activities involved.

### 3.3 Organizational Structure

The EMUs currently report both administratively and technically to the governor. They have the responsibility to follow up the implementation of Law 4/1994 and other environmental laws. Moreover, environmental units (EUs) are established on the municipal (Markaz and town) levels by a governor's decree to assist the EMUs in their activities. Accordingly, the units undertake activities delegated to them by the EMUs. In a number of governorates, there are also environmental liaison officers (ELO) at the village level. The distribution of functions among the three parties differs from one governorate to another. In most governorates, the EUs are active in inspection, complaint investigation, and EIA activities.

The educational background of the EMUs forms a good basis for undertaking environmental activities. Currently, all the heads of the EMUs have a degree of Bachelor of Science (B.Sc. of Engineering, Science or Agriculture), which is compatible with the requirements set by the Periodical no 8/1982 of the Central Authority for Organization and Administration (CAOA). The majority of the EMU staff has received higher education and their background varies between Engineering, Law, Agriculture, Science, and Arts.

Internally, neither the EMUs nor the EUs have a clear organizational structure. This issue is addressed by the draft decree prepared by EEPP. The draft decree also proposes that EMUs report technically to EEAA.

### 3.4 Distribution of Responsibilities

In 1998, the EEAA Board approved a principle that executive tasks belong to the governorates, while the role of EEAA (and its RBOs) is the technical supervision and the co-ordination of executive efforts rather than micro-managing environmental improvements. EEAA set a clear distribution of responsibilities between EEAA, RBOs and EMUs for three fields: inspection (including routine and complaint-based inspection), environmental impact assessment (EIA), and management of hazardous substances and wastes<sup>16</sup>.

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<sup>16</sup> References:

- Coordination Procedures between RBOs and EMUs, OSP, 2001

Within the governorate, the EMU mandates represent an opportunity for higher efficiency and effectiveness in the implementation of EM functions. However, the nature of environmental functions is perceived as an intrusion in the domains of other entities. This becomes more critical in functions that are already undertaken at the governorate such as inspection, creating a higher potential for conflicts. This intrusion is also sensed in functions aiming at influencing decision making in related functions (e.g. EIA, incorporation of environmental dimension in the development plans of the governorate<sup>17</sup>)

Finally, since EUs and ELOs do not have specific mandates, the distribution of responsibilities with the EMUs is case specific.

### **3.5 Analysis**

#### **a. Decentralization Status**

The governorate has long been active in EM. This is clear in the activities of the other governorate departments, operating long before the EMUs were established. The EMUs are responsible for protecting the environment within the governorate boundaries and therefore all activities needed to achieve such objective. In undertaking this responsibility, the EMU could seek technical support from the coordinating agency of the environment (EEAA/RBOs). However, the current status does not totally reflect this arrangement.

For EEAA, the involvement of governorates in environmental management activities should be mostly a “win” result because most of the EM activities can only be undertaken locally. Accordingly, the involvement of the EMU, the nearer to the field, in such activities would remove the burden from EEAA and would potentially enhance the effectiveness of such activities. However, as a result of the increasing pressures for environmental upgrading, EEAA’s operations vary between a policy maker and a coordinator of environmental activities executed by others to a field operator. The lack of consistent EEAA position is obviously reflected on the environmental management scene at the national as well as the local levels.

In addition, the oscillation with respect to the technical affiliation of EMUs to EEAA causes confusion regarding the nature of the decentralization involved, whether delegation, devolution, or deconcentration of responsibilities. This issue

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- Policies and Procedures Manual attached to RBOs decree no 17/2001.

<sup>17</sup> The head of an EMU has shared with the study team his frustration of his inability to bring forward environmental concerns in the investment committee meeting of which he is a member.

is on the top of priorities of the DEM task force (section 3.4.1), however, the task force is yet to be activated.

A major obstacle to DEM to the EMU is the lack of a clear and consistent vision and subsequent planning. Because of delayed action after the issuance of Law 4/1994, functions decentralized lacked the basic requirements such as coordination procedures and provision of required tools. There is also a lack of management and evaluation of the decentralized functions, which should have included periodic reports, quality control procedures, and continuous communication. This has contributed to the vagueness of distribution of responsibilities.

#### **b. Structure and its Compatibility with the Local Administration**

Organizationally, all EM entities at the governorate and local levels are integrated in the local administration structure. However, they lack the adequate mechanisms to address cross-cutting EM. They also clearly lack the political support needed to adopt indirect practices (see section 2.3), to achieve the required objectives, which involves applying parallel structures and systems. This approach in any case would hardly be adopted for the EM, as it involves a large number of parties and should be part of daily operations to infuse sustainable change in the practices of the local administration.

They also suffer from the general context of the local administration, which does not support the ability of the governorate to address cross-cutting environmental management functions. It is clear that although the local administration is not devoid of powers related to environmental management, the governorate powers are quite constrained in a number of areas (section 2.1.7). Moreover, whatever power the governorate has is likely to be currently allocated to existing departments. It will be counter-productive for the EMU to establish itself as a competitive department to the existing ones.

#### **c. Availability of Resources**

- ***Technical Resources***

As shown in table (3.1), the functions proposed for the EMUs could be divided into three categories in terms of technical requirements. Annex (1) provides a justification for such categorization. A number of the functions have low technical requirements where the EMU is not required to take decisions based on technical knowledge or skills but to assist another party in undertaking its responsibilities such as assisting RBOs in demonstration projects. Other functions require medium technical requirements where the EMUs undertake the functions themselves and take decisions based on technical knowledge such as EIA activities. These activities could be standardized through

guidelines. For the third category, high technical requirements are needed where critical decisions are taken based on technical knowledge. It should be noted that all planning functions have high technical requirements.

The EMUs have limited technical and managerial capacity. This is coupled with the weak physical resources, evident in the lack of needed equipment, resources needed for planning, and implementation of activities. EEAA has contributed to the capacity building of the EMUs through continuous training and provision of equipment. The technical backgrounds of the EMUs (engineering, science, or agricultural) have helped them to assimilate such support.

- ***Financial Resources***

Financial requirements are defined as those needed by the governorate to undertake its environmental functions rather than as direct investments needed to improve local environmental conditions. As shown in table (3.1), the functions could be categorized according to their financial requirements. Low financial requirements are those limited to the mobilization of the EMU's human resources<sup>18</sup>. A function would have medium financial requirements when it involves expenditures, other than staff time. Such a function is recurrent but not continuous.

It should be noted that most of the financial requirements of the EMU fall in Babs I and II. Usually, resources allocated to these do not fluctuate dramatically and are projected from the previous years of operation. The problem, thus defined, requires that these resources be brought in the near future to an adequate plateau, used as a basis for projection in the future. The financing needs of environmental projects might be the only case falling in the investment category (Bab III). However, the projects are likely to be implemented in cooperation with other entities and the EMU will act as the catalyst for the development and the implementation of the project.

The two types of operational resources are theoretically substitutable, i.e. the EMU can fill a technical gap through using financial resources to hire external expertise. The substitutability is, however, not complete. First, the EMUs should be at an adequate level of technical competence to be able to hire the right complementary capacity, and second, some functions are only undertaken by official governorate employees and are not expected to be out-sourced in the near future. This is specifically true for the activities based on which sanctions could be decided.

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<sup>18</sup> In order to avoid a confusing overlap between technical requirements and the financial requirements needed to hire, and keep, technically competent staff, the current analysis abstracts from this necessary requirement.

Although EEAA has invested in capacity building of EMUs, mostly through donor projects, the modest technical and financial capabilities of the EMUs are taken as static conditions. Accordingly, EMUs are only allocated functions that are compatible with their current capabilities.

**Table 3.1: Technical and Financial Requirements for EMU Functions**

Financial	Technical		
	Low	Medium	High
<b>Low</b>	<ul style="list-style-type: none"> <li>• Cooperation with NGOs</li> <li>• Assist RBOs in demonstration projects</li> <li>• Environmental education</li> </ul>	<ul style="list-style-type: none"> <li>• Information Collection (not including specific data generation)</li> </ul>	<ul style="list-style-type: none"> <li>• Design of data generation programs *</li> <li>• Environmental Profiling*</li> <li>• Incorporating the environmental dimension in the development plans*</li> </ul>
<b>Medium</b>		<ul style="list-style-type: none"> <li>• EIA</li> <li>• Environmental awareness (as part of national campaigns)</li> <li>• Assist RBOs in Environmental Training</li> </ul>	
<b>High</b>	<ul style="list-style-type: none"> <li>• Environmental Projects</li> </ul>		<ul style="list-style-type: none"> <li>• Preparation of GEAP*</li> <li>• Environmental awareness (if locally initiated) *</li> <li>• Environmental Contingency Plan</li> <li>• Inspection, complaint investigation and enforcement</li> <li>• Management of HW</li> <li>• Supervision of Solid Waste Contracts</li> <li>• Information Collection (specific data generation) *</li> </ul>

*\* Functions for which financial resources can substitute in-house technical competence*

#### **d. Relation with Other Entities**

As described in section (3.1), EM is characterized by its unavoidable reliance on “indirect management” not confined within organizational boundaries. Moreover, while related authority and resources are diffused among many parties, not totally under the organizational control of the EMU or the governorate, one of the effects of issuing the currently contemplated decree will be to relatively concentrate accountability for the resulting environmental quality in the EMU.

There are three main factors specific to EM and affecting the interaction with different entities; namely, the number of entities involved in the functions, the authority of the governorates regarding these entities, and the nature of the functions (planning or operational). These factors are interrelated and their different configurations set the boundaries for the implementation of the environmental management functions.

##### **• Number of Entities**

In undertaking its activities, EMUs are required to interact with a number of entities and governorate directorates. These entities include different governorates offices such as the licensing office and directorates of Manpower, Irrigation, Housing, Youth, Agriculture, Health, Education as well as Ministries of Tourism, Social Affairs, Electricity, Interior, Petroleum, Industry, and Information. This interaction differs according to the activities and involves joint planning and joint implementation activities as well as exchange of information. The EMU is managing an issue that has, by nature, a large number of concerned parties. Part of its role will be to seek to enhance the cohesiveness between their activities and to reconcile the need for specialization with the need for integration of efforts.

- ***Nature of Control***

The high involvement of other entities represents a constraint especially when coupled with the inability to manage the resources involved. The nature of the relationship between the EMU and other entities is sensitive to the extent the subject of management is under the governorate's formal control or shared control implied by established communication and cooperation channels that the governorate has with other entities. The degree to which the parties to this shared control are able, and willing, to mutually adjust to fulfill their common and respective objectives will be critical in this respect. The nature of these relationships will categorically differ from those that are related to activities on which the governorate has no control.

- ***Factors Related to the Nature of the Activity***

Planning functions and a number of operational functions of the EMU require the interaction of a large number of entities. Operation-oriented functions upon which the governorate has official control on the entities involved do not pose any special problems and the coordination between the different entities could be addressed at the level of the governorate. Operational functions upon which the governorate has shared control do not need the intervention of the central government and could be resolved with the local directorates, as long as the directorates have the mandates to take decisions regarding such issues. Planning functions require the interaction of a large number of entities, most of which are not within the direct control of the governorate, especially that most issues are technically centralized (section 2.1.4). Such functions also involve the interaction of the community.



Coordination mechanisms other than those currently used by the local administration need to be considered. In fact, the GEAP experiences thus far have relied on working groups to define situations as well as identify and develop alternative approaches to environmental management which is at least as much a political issue as it is a technical one with real social and institutional dimensions and constraints.

**e. Involvement of the Local Community**

As is clear from chapter 2, there is a lack of strong channels of communication with the local community, the involvement of the community in EM is weak and is only evident in the filing of complaints and relying on the environmental authorities for its investigation. The number of environmental NGOs has grown substantially during the last decade. Nevertheless, most of these, especially at the local level, are project-oriented rather than advocacy-oriented. They seek the support of the administration rather than trying to influence it.

The local involvement in DEM is not expected to occur naturally since the local community is not involved by the local administration in other instances. It is therefore understandable that the proposed decree for the EMUs introduces a novelty regarding the interaction with the community where the EMU is mandated to cooperate with NGOs. This mandate, if taken as seriously as it should be, could help maximizing the EMU's social contacts and its access to subjective knowledge of the actors ultimately involved in, and affected by environmental issues. Its local knowledge is one of its major tools to interact with (and influence) EEAA, its regional branch, and other local institutions. This might not be achieved if cooperation with NGOs is limited to the support of the projects they promote.